Vanguard® Small-Cap Index Fund

SUPPLEMENT TO THE PROSPECTUS DATED APRIL 26, 2002

Effective July 1, 2002, the Small-Cap Index Fund has switched from a sampling method of indexing to the replication method. Accordingly, rather than investing in a representative sample of securities included in the Russell 2000 Index, the Fund will now hold each security found in the Index in about the same proportion as represented in the Index itself.

PS40 072002

Vanguard® U.S. Stock Index Funds

Institutional Shares & Institutional Plus Shares
April 26, 2002

This prospectus contains financial data for the Funds through the fiscal year ended December 31, 2001.

STOCK

prospectus

Vanguard Institutional Index Fund

Vanguard Institutional Total Stock Market Index Fund

Vanguard Total Stock Market Index Fund

Vanguard Extended Market Index Fund

Vanguard Mid-Cap Index Fund

Vanguard Small-Cap Index Fund

Vanguard Value Index Fund

Vanguard Small-Cap Value Index Fund

Vanguard Growth Index Fund

Vanguard Small-Cap Growth Index Fund

THE Vanguard GROUP

Vanguard U.S. Stock Index Funds
Institutional Shares and Institutional Plus Shares
Prospectus
April 26, 2002

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Why Reading This Prospectus Is Important

This prospectus explains the investment objective, policies, strategies, and risks associated with each Fund. To highlight terms and concepts important to mutual fund investors, we have provided "Plain Talk®" explanations along the way. Reading the prospectus will help you decide whether a Fund is the right investment for you. We suggest that you keep this prospectus for future reference.

Share Class Overview

This prospectus offers Institutional Shares for all of the Funds and Institutional Plus Shares for two of the Funds. The investment minimum is $10 million, except for the Institutional Plus Shares ($200 million) of Vanguard Institutional Index Fund and the Institutional Shares ($200 million) and Institutional Plus Shares ($500 million) of Vanguard Institutional Total Stock Market Index Fund. The Funds generally are not available through financial intermediaries or retirement plans receiving special administrative services from Vanguard.

Institutional Shares of Vanguard Total Stock Market and Extended Market Index Funds can be converted into an exchange-traded class of shares known as VIPER Shares. A brief description of VIPER Shares and how to convert into them appears on pages 56 to 58 of this prospectus. A separate prospectus containing more information about VIPER Shares is available at Vanguard's website or by calling 1-866-499-8473 (1-866-499-VIPER).

Another prospectus offers Investor Shares for all of the Vanguard U.S. Stock Index Funds (except Vanguard Institutional Index Fund and Institutional Total Stock Market Index Fund) as well as Admiral Shares for seven of the Funds. The Funds' separate share classes have different expenses; as a result, their investment performances will differ.

Fund Profile—
Vanguard® Institutional Index Fund

INVESTMENT OBJECTIVE

The Fund seeks to match the performance of a benchmark index that measures the investment return of large-capitalization stocks.

PRIMARY INVESTMENT STRATEGIES

The Fund employs a passive management strategy designed to track the performance of the Standard & Poor's 500 Index, which is dominated by the stocks of large U.S. companies. The Fund attempts to replicate the target index by investing all or substantially all of its assets in the stocks that make up the Index. For a description of the Fund's replication technique, please see "Indexing Methods" under **More on the Funds**.

PRIMARY RISKS

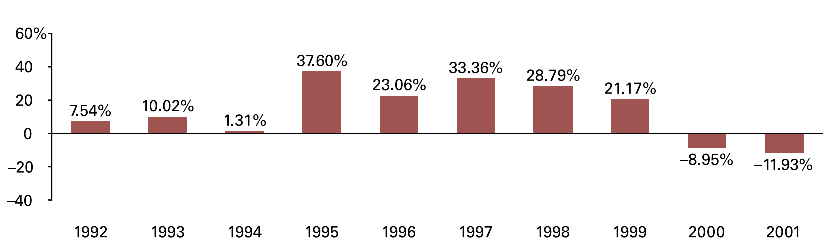
An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- *Investment style risk*, which is the chance that returns from large-capitalization stocks will trail returns from the overall stock market. Specific types of stocks tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years.

PERFORMANCE/RISK INFORMATION

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's Institutional Shares has varied from one calendar year to another over the periods shown.

Annual Total Returns—Institutional Shares



During the periods shown in the bar chart, the highest return for a calendar quarter was 21.43% (quarter ended December 31, 1998), and the lowest return for a quarter was –14.69% (quarter ended September 30, 2001).

The table shows the average annual total returns of the share classes presented and how the returns of the Institutional Shares and the one year return of the Institutional Plus Shares compare with those of the Fund's target index. To calculate the figures in the table that present the impact of taxes on returns, we assumed that, at the time of each distribution of income or capital gains, the shareholder was in the highest federal marginal income tax bracket. We did not take into consideration state or local income taxes. You should note that the after-tax returns are only for the Fund's Institutional Share class and that after-tax returns for Institutional Plus Shares will differ.

In certain cases the figure representing "Return After Taxes on Distributions and Sale of Fund Shares" may be *higher* than the other return figures for the same period. A higher after-tax return results when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. Please note that your after-tax returns depend on your tax situation and may differ from those shown.

Also note that if you own the Fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to your investment, because such accounts are subject to taxes only upon distribution.

Finally, keep in mind that the Fund's performance—whether before taxes or after taxes—does not indicate how it will perform in the future.

Average Annual Total Returns

	Periods Ended December 31, 2001		
	1 Year	**5 Years**	**10 Years**
Vanguard Institutional Index Fund Institutional Shares			
Return Before Taxes	–11.93%	10.79%	12.98%
Return After Taxes on Distributions	–12.39	10.08	11.97
Return After Taxes on Distributions and Sale of Fund Shares	–7.28	8.62	10.61
Vanguard Institutional Index Fund Institutional Plus Shares			
Return Before Taxes*	–11.90%	—	—
S&P 500 Index (reflects no deduction for fees, expenses, or taxes)	–11.89%	10.70%	12.94%

*Average annual total return of Institutional Plus Shares since inception (July 7, 1997) was 6.82%.

FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Institutional Shares or Institutional Plus Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended December 31, 2001.

	Institutional Shares	Institutional Plus Shares
SHAREHOLDER FEES *(fees paid directly from your investment)*		
Sales Charge (Load) Imposed on Purchases:	None	None
Purchase Fee:	None*	None*
Sales Charge (Load) Imposed on Reinvested Dividends:	None	None
Redemption Fee:	None	None
Exchange Fee:	None	None
ANNUAL FUND OPERATING EXPENSES *(expenses deducted from the Fund's assets)*		
Management Expenses:	0.05%	0.025%
12b-1 Distribution Fee:	None	None
Other Expenses:	0%	0%
Total Annual Fund Operating Expenses:	0.05%	0.025%

*The Fund reserves the right to deduct a purchase fee from future purchases of shares.

The following examples are intended to help you compare the cost of investing in the Fund's Institutional or Institutional Plus Shares with the cost of investing in other mutual funds. They illustrate the hypothetical expenses that you would incur over various periods if you invest $10,000 in the Fund's shares. These examples assume that the Fund provides a return of 5% a year and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of the given period.

	1 Year	3 Years	5 Years	10 Years
Institutional Shares	$5	$16	$28	$64
Institutional Plus Shares	3	8	14	32

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Additional Information

Dividends and Capital Gains
Dividends are distributed quarterly in March, June, September, and December; capital gains, if any, are distributed annually in December.

Investment Adviser
The Vanguard Group, Valley Forge, Pa., since inception

Inception Date
Institutional Shares—July 31, 1990
Institutional Plus Shares—July 7, 1997

Net Assets (all share classes) as of December 31, 2001
$35.5 billion

Newspaper Abbreviation
Institutional Shares—InstIdx
Institutional Plus Shares—InstPlus

Vanguard Fund Number
Institutional Shares—94
Institutional Plus Shares—854

Cusip Number
Institutional Shares—922040100
Institutional Plus Shares—922040209

Ticker Symbol
Institutional Shares—VINIX
Institutional Plus Shares—VIIIX

Fund Profile—Vanguard® Institutional Total Stock Market Index Fund

INVESTMENT OBJECTIVE

The Fund seeks to match the performance of a benchmark index that measures the investment return of the overall stock market.

PRIMARY INVESTMENT STRATEGIES

The Fund employs a passive management strategy designed to track the performance of the Wilshire 5000 Total Market Index, which consists of all the U.S. common stocks regularly traded on the New York and American Stock Exchanges and the Nasdaq over-the-counter market. The Fund invests all or substantially all of its assets in a representative sample of the stocks that make up the Index. For a description of the Fund's sampling technique, please see "Indexing Methods" under **More on the Funds**.

PRIMARY RISK

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market.

PERFORMANCE/RISK INFORMATION

The Fund has not been in operation long enough to report a full calendar-year return. The **Financial Highlights** section provides detailed information on the Fund's fiscal-year return.

FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Institutional Shares or Institutional Plus Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended December 31, 2001.

	Institutional Shares	Institutional Plus Shares
SHAREHOLDER FEES *(fees paid directly from your investment)*		
Sales Charge (Load) Imposed on Purchases:	None	None
Purchase Fee:	None*	None*
Sales Charge (Load) Imposed on Reinvested Dividends:	None	None
Redemption Fee:	None	None
Exchange Fee:	None	None
ANNUAL FUND OPERATING EXPENSES *(expenses deducted from the Fund's assets)*		
Management Expenses:	0.06%	0.025%
12b-1 Distribution Fee:	None	None
Other Expenses:	0%	0%
Total Annual Fund Operating Expenses:	0.06%	0.025%

*The Fund reserves the right to deduct a purchase fee from future purchases of shares.

The following examples are intended to help you compare the cost of investing in the Fund's Institutional or Institutional Plus Shares with the cost of investing in other mutual funds. They illustrate the hypothetical expenses that you would incur over various periods if you invest $10,000 in the Fund's shares. These examples assume that the Fund provides a return of 5% a year and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of the given period.

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

	1 Year	3 Years	5 Years	10 Years
Institutional Shares	$6	$19	$34	$77
Institutional Plus Shares	3	8	14	32

Additional Information

Dividends and Capital Gains
Dividends are distributed quarterly in March, June, September, and December; capital gains, if any, are distributed annually in December.

Investment Adviser
The Vanguard Group, Valley Forge, Pa., since inception

Inception Date
Institutional Shares—August 31, 2001
Institutional Plus Shares—May 31, 2001

Net Assets (all share classes) as of December 31, 2001
$1.5 billion

Newspaper Abbreviation
Institutional Shares—InstTStIdxt
Institutional Plus Shares—InstTStPlus

Vanguard Fund Number
Institutional Shares—870
Institutional Plus Shares—871

Cusip Number
Institutional Shares—922010308
Institutional Plus Shares—922010407

Ticker Symbol
Institutional Shares—VITNX
Institutional Plus Shares—VITPX

Fund Profile— Vanguard® Total Stock Market Index Fund

INVESTMENT OBJECTIVE

The Fund seeks to match the performance of a benchmark index that measures the investment return of the overall stock market.

PRIMARY INVESTMENT STRATEGIES

The Fund employs a passive management strategy designed to track the performance of the Wilshire 5000 Total Market Index, which consists of all the U.S. common stocks regularly traded on the New York and American Stock Exchanges and the Nasdaq over-the-counter market. The Fund invests all or substantially all of its assets in a representative sample of the stocks that make up the Index. For a description of the Fund's sampling technique, please see "Indexing Methods" under **More on the Funds**.

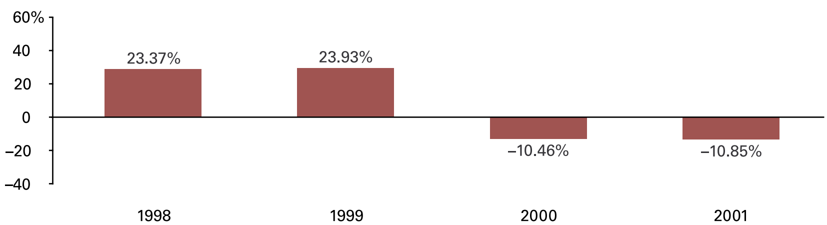
PRIMARY RISK

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market.

PERFORMANCE/RISK INFORMATION

The following bar chart and table are intended to help you understand the risks of investing in the Fund.The bar chart shows how the performance of the Fund's Institutional Shares has varied from one calendar year to another over the periods shown.

Annual Total Returns—Institutional Shares



During the periods shown in the bar chart, the highest return for a calendar quarter was 21.55% (quarter ended December 31, 1998), and the lowest return for a quarter was –15.90% (quarter ended September 30, 2001).

The table shows how the average annual total returns of the Institutional Shares compare with those of the Fund's target index. To calculate the figures in the table that present the impact of taxes on returns, we assumed that, at the time of each distribution of income or capital gains, the shareholder was in the highest federal marginal income tax bracket. We did not take into consideration state or local income taxes. You should note that the after-tax returns are only for the Fund's Institutional Share class and that after-tax returns for other share classes will differ.

In certain cases the figure representing "Return After Taxes on Distributions and Sale of Fund Shares" may be *higher* than the other return figures for the same period. A higher after-tax return results when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. Please note that your after-tax returns depend on your tax situation and may differ from those shown.

Also note that if you own the Fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to your investment, because such accounts are subject to taxes only upon distribution.

Finally, keep in mind that the Fund's performance—whether before taxes or after taxes—does not indicate how it will perform in the future.

Average Annual Total Returns

	Periods Ended December 31, 2001	
	1 Year	**Since Inception***
Vanguard Total Stock Market Index Fund Institutional Shares		
Return Before Taxes	–10.85%	6.48%
Return After Taxes on Distributions	–11.31	5.73
Return After Taxes on Distributions and Sale of Fund Shares	–6.62	4.95
Wilshire 5000 Index (reflects no deduction for fees, expenses, or taxes)	–10.96%	6.31%

*July 7, 1997.

FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Institutional Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended December 31, 2001.

SHAREHOLDER FEES *(fees paid directly from your investment)*	
Sales Charge (Load) Imposed on Purchases:	None
Purchase Fee:	None*
Sales Charge (Load) Imposed on Reinvested Dividends:	None
Redemption Fee:	None
Exchange Fee:	None

ANNUAL FUND OPERATING EXPENSES *(expenses deducted from the Fund's assets)*	
Management Expenses:	0.06%
12b-1 Distribution Fee:	None
Other Expenses:	0.02%
Total Annual Fund Operating Expenses:	0.08%

*The Fund reserves the right to deduct a purchase fee from future purchases of shares.

The following example is intended to help you compare the cost of investing in the Fund's Institutional Shares with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest $10,000 in the Fund's shares. This example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of the given period.

1 Year	3 Years	5 Years	10 Years
$8	$26	$45	$103

This example should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Additional Information

Dividends and Capital Gains
Dividends are distributed quarterly in March, June, September, and December; capital gains, if any, are distributed annually in December.

Investment Adviser
The Vanguard Group, Valley Forge, Pa., since inception

Inception Date
April 27, 1992; Institutional Shares added July 7, 1997

Net Assets (all share classes) as of December 31, 2001
$25 billion

Newspaper Abbreviation
TotStInst

Vanguard Fund Number
855

Cusip Number
922908801

Ticker Symbol
VITSX

Fund Profile—
Vanguard® Extended Market Index Fund

INVESTMENT OBJECTIVE

The Fund seeks to match the performance of a benchmark index that measures the investment return of small- and mid-capitalization stocks.

PRIMARY INVESTMENT STRATEGIES

The Fund employs a passive management strategy designed to track the performance of the Wilshire 4500 Completion Index, a broadly diversified index of stocks of small and medium-size U.S. companies. The Wilshire 4500 Index contains all of the U.S. common stocks regularly traded on the New York and American Stock Exchanges and the Nasdaq over-the-counter market, except those stocks included in the Standard & Poor's 500 Index. The Fund invests all or substantially all of its assets in a representative sample of the stocks that make up the Wilshire 4500 Index. For a description of the Fund's sampling technique, please see "Indexing Methods" under **More on the Funds**.

PRIMARY RISKS

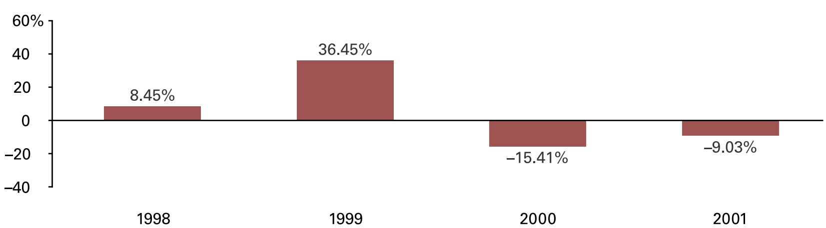
An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- *Investment style risk*, which is the chance that returns from small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall stock market, and they often perform quite differently.

PERFORMANCE/RISK INFORMATION

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's Institutional Shares has varied from one calendar year to another over the periods shown.

Annual Total Returns—Institutional Shares



During the periods shown in the bar chart, the highest return for a calendar quarter was 29.63% (quarter ended December 31, 1999), and the lowest return for a quarter was –21.04% (quarter ended September 30, 2001).

The table shows how the average annual total returns of the Institutional Shares compare with those of the Fund's target index. To calculate the figures in the table that present the impact of taxes on returns, we assumed that, at the time of each distribution of income or capital gains, the shareholder was in the highest federal marginal income tax bracket. We did not take into consideration state or local income taxes. You should note that the after-tax returns are only for the Fund's Institutional Share class and that after-tax returns for other share classes will differ.

In certain cases the figure representing "Return After Taxes on Distributions and Sale of Fund Shares" may be *higher* than the other return figures for the same period. A higher after-tax return results when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. Please note that your after-tax returns depend on your tax situation and may differ from those shown.

Also note that if you own the Fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to your investment, because such accounts are subject to taxes only upon distribution.

Finally, keep in mind that the Fund's performance—whether before taxes or after taxes—does not indicate how it will perform in the future.

Average Annual Total Returns

	Periods Ended December 31, 2001	
	1 Year	**Since Inception***
Vanguard Extended Market Index Fund Institutional Shares		
Return Before Taxes	–9.03%	5.54%
Return After Taxes on Distributions	–10.13	2.82
Return After Taxes on Distributions and Sale of Fund Shares	–5.01	3.98
Wilshire 4500 Index (reflects no deduction for fees, expenses, or taxes)	–9.32%	5.28%

*July 7, 1997.

FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Institutional Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended December 31, 2001.

SHAREHOLDER FEES *(fees paid directly from your investment)*	
Sales Charge (Load) Imposed on Purchases:	None
Purchase Fee:	None*
Sales Charge (Load) Imposed on Reinvested Dividends:	None
Redemption Fee:	None
Exchange Fee:	None

ANNUAL FUND OPERATING EXPENSES *(expenses deducted from the Fund's assets)*	
Management Expenses:	0.08%
12b-1 Distribution Fee:	None
Other Expenses:	0.02%
Total Annual Fund Operating Expenses:	0.10%

*The Fund reserves the right to deduct a purchase fee from future purchases of shares.

The following example is intended to help you compare the cost of investing in the Fund's Institutional Shares with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest $10,000 in the Fund's shares. This example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of the given period.

1 Year	3 Years	5 Years	10 Years
$10	$32	$56	$128

This example should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Additional Information

Dividends and Capital Gains
Distributed annually in December

Investment Adviser
The Vanguard Group, Valley Forge, Pa., since inception

Inception Date
December 21, 1987; Institutional Shares added July 7, 1997

Net Assets (all share classes) as of December 31, 2001
$4.6 billion

Newspaper Abbreviation
ExtndInst

Vanguard Fund Number
856

Cusip Number
922908884

Ticker Symbol
VIEIX

Fund Profile—Vanguard® Mid-Cap Index Fund

INVESTMENT OBJECTIVE

The Fund seeks to match the performance of a benchmark index that measures the investment return of mid-capitalization stocks.

PRIMARY INVESTMENT STRATEGIES

The Fund employs a passive management strategy designed to track the performance of the Standard & Poor's MidCap 400 Index, which is made up of a group of medium-size U.S. companies. The Fund attempts to replicate the target index by investing all or substantially all of its assets in the stocks that make up the Index. For a description of the Fund's replication technique, please see "Indexing Methods" under **More on the Funds**.

PRIMARY RISKS

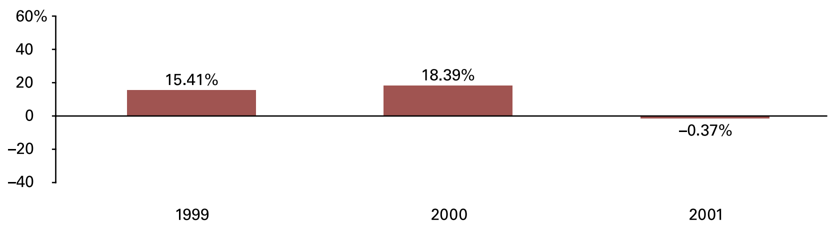
An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- *Investment style risk*, which is the chance that returns from mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall stock market, and they often perform quite differently.

PERFORMANCE/RISK INFORMATION

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's Institutional Shares has varied from one calendar year to another over the periods shown.

Annual Total Returns—Institutional Shares



During the periods shown in the bar chart, the highest return for a calendar quarter was 18.08% (quarter ended December 31, 2001), and the lowest return for a quarter was –16.50% (quarter ended September 30, 2001).

The table shows how the average annual total returns of the Institutional Shares compare with those of the Fund's target index. To calculate the figures in the table that present the impact of taxes on returns, we assumed that, at the time of each distribution of income or capital gains, the shareholder was in the highest federal marginal income tax bracket. We did not take into consideration state or local income taxes. You should note that the after-tax returns are only for the Fund's Institutional Share class and that after-tax returns for other share classes will differ.

In certain cases the figure representing "Return After Taxes on Distributions and Sale of Fund Shares" may be *higher* than the other return figures for the same period. A higher after-tax return results when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. Please note that your after-tax returns depend on your tax situation and may differ from those shown.

Also note that if you own the Fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to your investment, because such accounts are subject to taxes only upon distribution.

Finally, keep in mind that the Fund's performance—whether before taxes or after taxes—does not indicate how it will perform in the future.

Average Annual Total Returns

	Periods Ended December 31, 2001	
	1 Year	**Since Inception***
Vanguard Mid-Cap Index Fund Institutional Shares		
Return Before Taxes	–0.37%	11.43%
Return After Taxes on Distributions	–1.17	9.08
Return After Taxes on Distributions and Sale of Fund Shares	0.05	8.21
S&P MidCap 400 Index (reflects no deduction for fees, expenses, or taxes)	–0.60%	10.73%

*May 21, 1998.

FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Institutional Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended December 31, 2001.

SHAREHOLDER FEES *(fees paid directly from your investment)*	
Sales Charge (Load) Imposed on Purchases:	None
Purchase Fee:	None*
Sales Charge (Load) Imposed on Reinvested Dividends:	None
Redemption Fee:	None
Exchange Fee:	None

ANNUAL FUND OPERATING EXPENSES *(expenses deducted from the Fund's assets)*	
Management Expenses:	0.08%
12b-1 Distribution Fee:	None
Other Expenses:	0.02%
Total Annual Fund Operating Expenses:	0.10%

*The Fund reserves the right to deduct a purchase fee from future purchases of shares.

The following example is intended to help you compare the cost of investing in the Fund's Institutional Shares with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest $10,000 in the Fund's shares. This example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of the given period.

1 Year	3 Years	5 Years	10 Years
$10	$32	$56	$128

This example should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Additional Information

Dividends and Capital Gains
Distributed annually in December

Investment Adviser
The Vanguard Group, Valley Forge, Pa., since inception

Inception Date
Investor Shares—May 21, 1998
Institutional Shares—May 21, 1998

Net Assets (all share classes) as of December 31, 2001
$2.9 billion

Newspaper Abbreviation
MidCpInst

Vanguard Fund Number
864

Cusip Number
922908835

Ticker Symbol
VMCIX

Fund Profile—Vanguard® Small-Cap Index Fund

INVESTMENT OBJECTIVE

The Fund seeks to match the performance of a benchmark index that measures the investment return of small-capitalization stocks.

PRIMARY INVESTMENT STRATEGIES

The Fund employs a passive management strategy designed to track the performance of the Russell 2000 Index, which is made up of the stocks of smaller U.S. companies. The Russell 2000 Index is made up of the 2,000 smallest companies from the list of the 3,000 largest U.S. companies. The Fund invests all or substantially all of its assets in a representative sample of the stocks that make up the Index. For a description of the Fund's sampling technique, please see "Indexing Methods" under **More on the Funds**.

PRIMARY RISKS

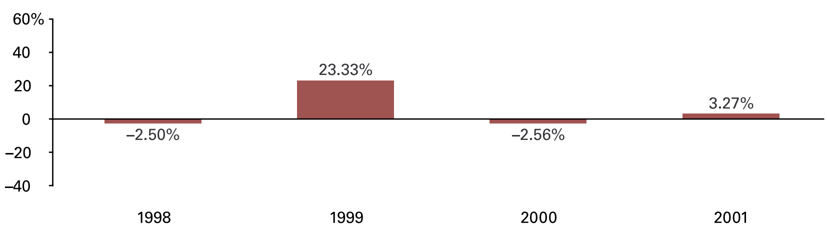
An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- *Investment style risk*, which is the chance that returns from small-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall stock market, and they often perform quite differently.

PERFORMANCE/RISK INFORMATION

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's Institutional Shares has varied from one calendar year to another over the periods shown.

Annual Total Returns—Institutional Shares



During the periods shown in the bar chart, the highest return for a calendar quarter was 20.94% (quarter ended December 31, 2001), and the lowest return for a quarter was –20.69% (quarter ended September 30, 2001).

The table shows how the average annual total returns of the Institutional Shares compare with those of the Fund's target index. To calculate the figures in the table that present the impact of taxes on returns, we assumed that, at the time of each distribution of income or capital gains, the shareholder was in the highest federal marginal income tax bracket. We did not take into consideration state or local income taxes. You should note that the after-tax returns are only for the Fund's Institutional Share class and that after-tax returns for other share classes will differ.

In certain cases the figure representing "Return After Taxes on Distributions and Sale of Fund Shares" may be *higher* than the other return figures for the same period. A higher after-tax return results when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. Please note that your after-tax returns depend on your tax situation and may differ from those shown.

Also note that if you own the Fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to your investment, because such accounts are subject to taxes only upon distribution.

Finally, keep in mind that the Fund's performance—whether before taxes or after taxes—does not indicate how it will perform in the future.

Average Annual Total Returns

	Periods Ended December 31, 2001	
	1 Year	**Since Inception***
Vanguard Small-Cap Index Fund Institutional Shares		
Return Before Taxes	3.27%	6.89%
Return After Taxes on Distributions	2.76	4.47
Return After Taxes on Distributions and Sale of Fund Shares	2.00	4.96
Russell 2000 Index (reflects no deduction for fees, expenses, or taxes)	2.49%	6.11%

*July 7, 1997.

FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Institutional Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended December 31, 2001.

SHAREHOLDER FEES *(fees paid directly from your investment)*	
Sales Charge (Load) Imposed on Purchases:	None
Purchase Fee:	None*
Sales Charge (Load) Imposed on Reinvested Dividends:	None
Redemption Fee:	None
Exchange Fee:	None

ANNUAL FUND OPERATING EXPENSES *(expenses deducted from the Fund's assets)*	
Management Expenses:	0.07%
12b-1 Distribution Fee:	None
Other Expenses:	0.03%
Total Annual Fund Operating Expenses:	0.10%

*The Fund reserves the right to deduct a purchase fee from future purchases of shares.

The following example is intended to help you compare the cost of investing in the Fund's Institutional Shares with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest $10,000 in the Fund's shares. This example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of the given period.

1 Year	3 Years	5 Years	10 Years
$10	$32	$56	$128

This example should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Additional Information

Dividends and Capital Gains
Distributed annually in December

Investment Adviser
The Vanguard Group, Valley Forge, Pa., since 1989

Inception Date
October 3, 1960; Institutional Shares added July 7, 1997

Net Assets (all share classes) as of December 31, 2001
$4.7 billion

Newspaper Abbreviation
SmCapInst

Vanguard Fund Number
857

Cusip Number
922908876

Ticker Symbol
VSCIX

Fund Profile—Vanguard® Value Index Fund

INVESTMENT OBJECTIVE

The Fund seeks to match the performance of a benchmark index that measures the investment return of large-capitalization value stocks.

PRIMARY INVESTMENT STRATEGIES

The Fund employs a passive management strategy designed to track the performance of the Standard & Poor's 500/Barra Value Index, which includes those stocks of the S&P 500 Index with lower-than-average price/book ratios. The Fund attempts to replicate the target index by investing all or substantially all of its assets in the stocks that make up the Index. For a description of the Fund's replication technique, please see "Indexing Methods" under **More on the Funds**.

PRIMARY RISKS

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- *Investment style risk*, which is the chance that returns from large-capitalization value stocks will trail returns from the overall stock market. Specific types of stocks tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years.

PERFORMANCE/RISK INFORMATION

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's Institutional Shares has varied from one calendar year to another over the periods shown.

Annual Total Returns—Institutional Shares

During the periods shown in the bar chart, the highest return for a calendar quarter was 10.78% (quarter ended June 30, 1999), and the lowest return for a quarter was –16.24% (quarter ended September 30, 2001).

The table shows how the average annual total returns of the Institutional Shares compare with those of the Fund's target index. To calculate the figures in the table that present the impact of taxes on returns, we assumed that, at the time of each distribution of income or capital gains, the shareholder was in the highest federal marginal income tax bracket. We did not take into consideration state or local income taxes. You should note that the after-tax returns are only for the Fund's Institutional Share class and that after-tax returns for other share classes will differ.

In certain cases the figure representing "Return After Taxes on Distributions and Sale of Fund Shares" may be *higher* than the other return figures for the same period. A higher after-tax return results when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. Please note that your after-tax returns depend on your tax situation and may differ from those shown.

Also note that if you own the Fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to your investment, because such accounts are subject to taxes only upon distribution.

Finally, keep in mind that the Fund's performance—whether before taxes or after taxes—does not indicate how it will perform in the future.

Average Annual Total Returns

	Periods Ended December 31, 2001	
	1 Year	**Since Inception***
Vanguard Value Index Fund Institutional Shares		
Return Before Taxes	–11.77%	1.76%
Return After Taxes on Distributions	–13.37	–0.46
Return After Taxes on Distributions and Sale of Fund Shares	–6.51	0.74
S&P 500/Barra Value Index (reflects no deduction for fees, expenses, or taxes)	–11.71%	1.75%

*July 2, 1998.

FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Institutional Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended December 31, 2001.

SHAREHOLDER FEES *(fees paid directly from your investment)*	
Sales Charge (Load) Imposed on Purchases:	None
Purchase Fee:	None*
Sales Charge (Load) Imposed on Reinvested Dividends:	None
Redemption Fee:	None
Exchange Fee:	None

ANNUAL FUND OPERATING EXPENSES *(expenses deducted from the Fund's assets)*	
Management Expenses:	0.08%
12b-1 Distribution Fee:	None
Other Expenses:	0.02%
Total Annual Fund Operating Expenses:	0.10%

*The Fund reserves the right to deduct a purchase fee from future purchases of shares.

The following example is intended to help you compare the cost of investing in the Fund's Institutional Shares with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest $10,000 in the Fund's shares. This example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of the given period.

1 Year	3 Years	5 Years	10 Years
$10	$32	$56	$128

This example should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Additional Information

Dividends and Capital Gains
Dividends are distributed quarterly in March, June, September, and December; capital gains, if any, are distributed annually in December.

Investment Adviser
The Vanguard Group, Valley Forge, Pa., since inception

Inception Date
November 2, 1992; Institutional Shares added July 2, 1998

Net Assets (all share classes) as of December 31, 2001
$4.5 billion

Newspaper Abbreviation
ValueInst

Vanguard Fund Number
867

Cusip Number
922908850

Ticker Symbol
VIVIX

Fund Profile—
Vanguard® Small-Cap Value Index Fund

INVESTMENT OBJECTIVE

The Fund seeks to match the performance of a benchmark index that measures the investment return of small-capitalization value stocks.

PRIMARY INVESTMENT STRATEGIES

The Fund employs a passive management strategy designed to track the performance of the Standard & Poor's SmallCap 600/Barra Value Index, which includes those stocks of the S&P SmallCap 600 Index with lower-than-average price/book ratios. The Fund attempts to replicate the target index by investing all or substantially all of its assets in the stocks that make up the Index. For a description of the Fund's replication technique, please see "Indexing Methods" under **More on the Funds**.

PRIMARY RISKS

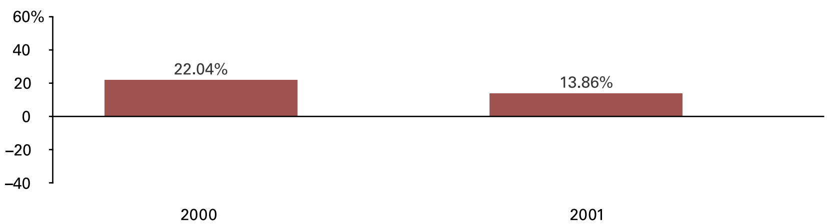
An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- *Investment style risk,* which is the chance that returns from small-capitalization value stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall stock market, and they often perform quite differently.

PERFORMANCE/RISK INFORMATION

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's Institutional Shares has varied from one calendar year to another over the periods shown.

Annual Total Returns—Institutional Shares



During the periods shown in the bar chart, the highest return for a calendar quarter was 21.40% (quarter ended December 31, 2001), and the lowest return for a quarter was –16.54% (quarter ended September 30, 2001).

The table shows how the average annual total returns of the Institutional Shares compare with those of the Fund's target index. To calculate the figures in the table that present the impact of taxes on returns, we assumed that, at the time of each distribution of income or capital gains, the shareholder was in the highest federal marginal income tax bracket. We did not take into consideration state or local income taxes. You should note that the after-tax returns are only for the Fund's Institutional Share class and that after-tax returns for another share class will differ.

In certain cases the figure representing "Return After Taxes on Distributions and Sale of Fund Shares" may be *higher* than the other return figures for the same period. A higher after-tax return results when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. Please note that your after-tax returns depend on your tax situation and may differ from those shown.

Also note that if you own the Fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to your investment, because such accounts are subject to taxes only upon distribution.

Finally, keep in mind that the Fund's performance—whether before taxes or after taxes—does not indicate how it will perform in the future.

Average Annual Total Returns

	Periods Ended December 31, 2001	
	1 Year	**Since Inception***
Vanguard Small-Cap Value Index Fund Institutional Shares		
Return Before Taxes	13.86%	18.86%
Return After Taxes on Distributions	11.29	14.84
Return After Taxes on Distributions and Sale of Fund Shares	8.53	13.12
S&P SmallCap 600/Barra Value Index (reflects no deduction for fees, expenses, or taxes)	13.10%	17.84%

*December 7, 1999.

FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Institutional Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended December 31, 2001.

SHAREHOLDER FEES *(fees paid directly from your investment)*	
Sales Charge (Load) Imposed on Purchases:	None
Purchase Fee:	None*
Sales Charge (Load) Imposed on Reinvested Dividends:	None
Redemption Fee:	None
Exchange Fee:	None

ANNUAL FUND OPERATING EXPENSES *(expenses deducted from the Fund's assets)*	
Management Expenses:	0.07%
12b-1 Distribution Fee:	None
Other Expenses:	0.03%
Total Annual Fund Operating Expenses:	0.10%

*The Fund reserves the right to deduct a purchase fee from future purchases of shares.

The following example is intended to help you compare the cost of investing in the Fund's Institutional Shares with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest $10,000 in the Fund's shares. This example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of the given period.

1 Year	3 Years	5 Years	10 Years
$10	$32	$56	$128

This example should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Additional Information

Dividends and Capital Gains
Distributed annually in December

Investment Adviser
The Vanguard Group, Valley Forge, Pa., since inception

Inception Date
May 21, 1998; Institutional Shares added December 7, 1999

Net Assets (all share classes) as of December 31, 2001
$1.1 billion

Newspaper Abbreviation
SmValInst

Vanguard Fund Number
865

Cusip Number
922908785

Ticker Symbol
VSIIX

Fund Profile—Vanguard® Growth Index Fund

INVESTMENT OBJECTIVE

The Fund seeks to match the performance of a benchmark index that measures the investment return of large-capitalization growth stocks.

PRIMARY INVESTMENT STRATEGIES

The Fund employs a passive management strategy designed to track the performance of the Standard & Poor's 500/Barra Growth Index, which includes those stocks of the S&P 500 Index with higher-than-average price/book ratios. The Fund attempts to replicate the target index by investing all or substantially all of its assets in the stocks that make up the Index. For a description of the Fund's replication technique, please see "Indexing Methods" under **More on the Funds**.

PRIMARY RISKS

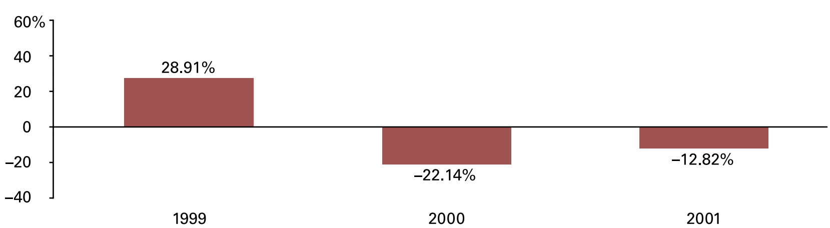
An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. In addition, the Fund's performance could be hurt disproportionately by a decline in the prices of just a few stocks. This is because, compared with other mutual funds, the Fund invests a greater percentage of assets in the stocks of fewer companies. The Fund's performance could also be hurt by:

- *Investment style risk*, which is the chance that returns from large-capitalization growth stocks will trail returns from the overall stock market. Specific types of stocks tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years.

PERFORMANCE/RISK INFORMATION

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's Institutional Shares has varied from one calendar year to another over the periods shown.

Annual Total Returns—Institutional Shares



During the periods shown in the bar chart, the highest return for a calendar quarter was 20.21% (quarter ended December 31, 1999), and the lowest return for a quarter was –17.44% (quarter ended March 31, 2001).

The table shows how the average annual total returns of the Institutional Shares compare with those of the Fund's target index. To calculate the figures in the table that present the impact of taxes on returns, we assumed that, at the time of each distribution of income or capital gains, the shareholder was in the highest federal marginal income tax bracket. We did not take into consideration state or local income taxes. You should note that the after-tax returns are only for the Fund's Institutional Share class and that after-tax returns for other share classes will differ.

In certain cases the figure representing "Return After Taxes on Distributions and Sale of Fund Shares" may be *higher* than the other return figures for the same period. A higher after-tax return results when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. Please note that your after-tax returns depend on your tax situation and may differ from those shown.

Also note that if you own the Fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to your investment, because such accounts are subject to taxes only upon distribution.

Finally, keep in mind that the Fund's performance—whether before taxes or after taxes—does not indicate how it will perform in the future.

Average Annual Total Returns

	Periods Ended December 31, 2001	
	1 Year	**Since Inception***
Vanguard Growth Index Fund Institutional Shares		
Return Before Taxes	–12.82%	1.53%
Return After Taxes on Distributions	–13.11	1.02
Return After Taxes on Distributions and Sale of Fund Shares	–7.82	1.09
S&P 500/Barra Growth Index (reflects no deduction for fees, expenses, or taxes)	–12.73%	1.40%

*May 14, 1998.

FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Institutional Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended December 31, 2001.

SHAREHOLDER FEES *(fees paid directly from your investment)*	
Sales Charge (Load) Imposed on Purchases:	None
Purchase Fee:	None*
Sales Charge (Load) Imposed on Reinvested Dividends:	None
Redemption Fee:	None
Exchange Fee:	None

ANNUAL FUND OPERATING EXPENSES *(expenses deducted from the Fund's assets)*	
Management Expenses:	0.08%
12b-1 Distribution Fee:	None
Other Expenses:	0.02%
Total Annual Fund Operating Expenses:	0.10%

*The Fund reserves the right to deduct a purchase fee from future purchases of shares.

The following example is intended to help you compare the cost of investing in the Fund's Institutional Shares with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest $10,000 in the Fund's shares. This example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of the given period.

1 Year	3 Years	5 Years	10 Years
$10	$32	$56	$128

This example should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Additional Information

Dividends and Capital Gains
Dividends are distributed quarterly in March, June, September, and December; capital gains, if any, are distributed annually in December.

Investment Adviser
The Vanguard Group, Valley Forge, Pa., since inception

Inception Date
November 2, 1992; Institutional shares added May 14, 1998

Net Assets (all share classes) as of December 31, 2001
$10.3 billion

Newspaper Abbreviation
GrowthInst

Vanguard Fund Number
868

Cusip Number
922908868

Ticker Symbol
VIGIX

Fund Profile—
Vanguard® Small-Cap Growth Index Fund

INVESTMENT OBJECTIVE

The Fund seeks to match the performance of a benchmark index that measures the investment return of small-capitalization growth stocks.

PRIMARY INVESTMENT STRATEGIES

The Fund employs a passive management strategy designed to track the performance of the Standard & Poor's SmallCap 600/Barra Growth Index, which includes those stocks of the S&P SmallCap 600 Index with higher-than-average price/book ratios. The Fund attempts to replicate the target index by investing all or substantially all of its assets in the stocks that make up the Index. For a description of the Fund's replication technique, please see "Indexing Methods" under **More on the Funds**.

PRIMARY RISKS

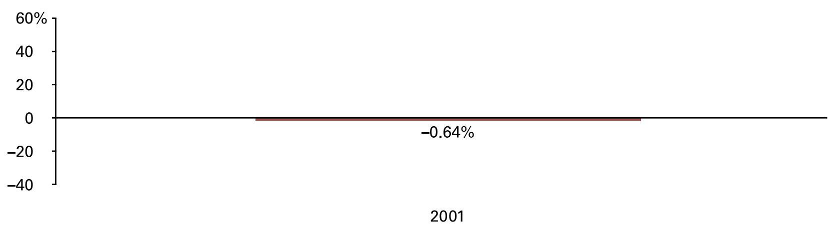
An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- *Investment style risk*, which is the chance that returns from small-capitalization growth stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall stock market, and they often perform quite differently.

PERFORMANCE/RISK INFORMATION

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows the performance of the Fund's Institutional Shares in their first full calendar year.

Annual Total Return—Institutional Shares



During the period shown in the bar chart, the highest return for a calendar quarter was 20.31% (quarter ended December 31, 2001), and the lowest return for a quarter was –17.41% (quarter ended September 30, 2001).

The table shows how the average annual total returns of the Institutional Shares compare with those of the Fund's target index. To calculate the figures in the table that present the impact of taxes on returns, we assumed that, at the time of each distribution of income or capital gains, the shareholder was in the highest federal marginal income tax bracket. We did not take into consideration state or local income taxes. You should note that the after-tax returns are only for the Fund's Institutional Share class and that after-tax returns for another share class will differ.

In certain cases the figure representing "Return After Taxes on Distributions and Sale of Fund Shares" may be *higher* than the other return figures for the same period. A higher after-tax return results when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. Please note that your after-tax returns depend on your tax situation and may differ from those shown.

Also note that if you own the Fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to your investment, because such accounts are subject to taxes only upon distribution.

Finally, keep in mind that the Fund's performance—whether before taxes or after taxes—does not indicate how it will perform in the future.

Average Annual Total Returns

	Periods Ended December 31, 2001	
	1 Year	**Since Inception***
Vanguard Small-Cap Growth Index Fund Institutional Shares		
Return Before Taxes	–0.64%	2.61%
Return After Taxes on Distributions	–0.75	1.59
Return After Taxes on Distributions and Sale of Fund Shares	–0.39	1.76
S&P SmallCap 600/Barra Growth Index (reflects no deduction for fees, expenses, or taxes)	–1.18%	1.81%

*May 24, 2000.

FEES AND EXPENSES

The following table describes the fees and expenses you may pay if you buy and hold Institutional Shares of the Fund. The expenses shown under *Annual Fund Operating Expenses* are based on those incurred in the fiscal year ended December 31, 2001.

SHAREHOLDER FEES *(fees paid directly from your investment)*	
Sales Charge (Load) Imposed on Purchases:	None
Purchase Fee:	None*
Sales Charge (Load) Imposed on Reinvested Dividends:	None
Redemption Fee:	None
Exchange Fee:	None

ANNUAL FUND OPERATING EXPENSES *(expenses deducted from the Fund's assets)*	
Management Expenses:	0.07%
12b-1 Distribution Fee:	None
Other Expenses:	0.03%
Total Annual Fund Operating Expenses:	0.10%

*The Fund reserves the right to deduct a purchase fee from future purchases of shares.

The following example is intended to help you compare the cost of investing in the Fund's Institutional Shares with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest $10,000 in the Fund's shares. This example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. The results apply whether or not you redeem your investment at the end of the given period.

1 Year	3 Years	5 Years	10 Years
$10	$32	$56	$128

This example should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Additional Information

Dividends and Capital Gains
Distributed annually in December

Investment Adviser
The Vanguard Group, Valley Forge, Pa., since inception

Inception Date
May 21, 1998; Institutional Shares added May 24, 2000

Net Assets (all share classes) as of December 31, 2001
$466 million

Newspaper Abbreviation
SmGthInst

Vanguard Fund Number
866

Cusip Number
922908819

Ticker Symbol
VSGIX

More on the Funds

This prospectus describes the primary risks you would face as a Fund shareholder. It is important to keep in mind one of the main axioms of investing: The higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: The lower the risk, the lower the potential reward. As you consider an investment in any mutual fund, you should take into account your personal tolerance for daily fluctuations in the securities markets. Look for this symbol throughout the prospectus. It is used to mark detailed information about the more significant risks that you would confront as a Fund shareholder.

The following sections explain the primary investment strategies and policies that each Fund uses in pursuit of its objective. The Funds' board of trustees, which oversees the Funds' management, may change investment strategies or policies in the interest of shareholders without a shareholder vote, unless those strategies or policies are designated as fundamental.

Finally, you'll find information on other important features of the Funds.

INDEXING METHODS

In seeking to track a particular index, a fund generally uses one of two methods to select the securities in which it invests.

Replication method. Many stock funds—but not bond funds—use the replication method of indexing. This means that a fund holds each security found in its target index in about the same proportion as represented in the index itself. For example, if 5% of the S&P 500 Index were made up of the stock of a specific company, a fund tracking that index would invest about 5% of *its* assets in that company. For bond funds, replication is an inefficient and costly method of indexing, since there is no liquid market for many of the corporate and agency bonds typically found in a broad bond index. *The Institutional and the Mid-Cap, Value, Small-Cap Value, Growth, and Small-Cap Growth Index Funds employ this method of indexing.*

Sampling method. Because it would be very expensive and inefficient to buy and sell *all* securities held in certain indexes (the Wilshire 5000 Index, for example, included more than 6,000 separate stocks as of December 31, 2001), many funds tracking these larger indexes use a "sampling" technique. Using sophisticated computer programs, a fund selects, from the target index, a representative sample of securities that will resemble the target index in terms of key risk factors and other characteristics. For stock funds, these include industry weightings, country weightings, market capitalization, and other financial characteristics of stocks. *The Institutional Total Stock Market, Total Stock Market, Extended Market, and Small-Cap Index Funds employ this method of indexing.*

The following table shows the number of stocks held by each Fund, and the number of stocks in its target index, as of December 31, 2001.

Vanguard Index Fund	Number of Stocks Held	Number of Stocks in Target Index
Institutional	506	500
Institutional Total Stock Market	3,287	6,054
Total Stock Market	3,424	6,054
Extended Market	3,026	5,564
Mid-Cap	407	400
Small-Cap	1,953	1,931
Value	356	354
Small-Cap Value	394	380
Growth	146	146
Small-Cap Growth	221	220

PLAIN TALK ABOUT

Growth Funds and Value Funds

Growth investing and value investing are two styles employed by stock fund managers. *Growth funds* generally focus on companies believed to have above-average potential for growth in revenue and earnings. Reflecting the market's high expectations for superior growth, such stocks typically have low dividend yields and above-average prices in relation to such measures as revenue, earnings, and book value. *Value funds* generally emphasize stocks of companies from which the market does not expect strong growth. The prices of value stocks typically are below-average in comparison with such measures as earnings and book value, and these stocks typically pay above-average dividend yields. Growth and value stocks have, in the past, produced similar long-term returns, though each category has periods when it outperforms the other. In general, *growth funds* appeal to investors who will accept more volatility in hopes of a greater increase in share price. Growth funds also may appeal to investors with taxable accounts who want a higher proportion of returns to come as capital gains (which may be taxed at lower rates than dividend income). *Value funds*, by contrast, are appropriate for investors who want some dividend income and the potential for capital gains, but are less tolerant of share-price fluctuations.

MARKET EXPOSURE

The Funds invest mainly in common stocks. As a result, they are subject to certain risks.

Each Fund is subject to stock market risk, which is the chance that stock prices overall will decline over short or even long periods. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

PLAIN TALK ABOUT

Large-Cap, Mid-Cap, and Small-Cap Stocks

Stocks of publicly traded companies—and mutual funds that hold these stocks—can be classified by the companies' market value, or market capitalization. Market capitalization changes over time, and there is no "official" definition of the boundaries of large-, mid-, and small-cap stocks. Vanguard generally defines large-cap stocks as those of companies with a market value exceeding $10.5 billion; mid-cap stocks as those of companies with a market value between $1.5 billion and $10.5 billion; and small-cap stocks as those of companies with a market value of less than $1.5 billion. Vanguard periodically reassesses these classifications.

To illustrate the volatility of stock prices, the following table shows the best, worst, and average total returns for the U.S. stock market over various periods as measured by the Standard & Poor's 500 Index, a widely used barometer of market activity. (Total returns consist of dividend income plus change in market price.) Note that the returns shown do not include the costs of buying and selling stocks or other expenses that a real-world investment portfolio would incur. Note, also, that the gap between best and worst tends to narrow over the long term.

U.S. Stock Market Returns (1926–2001)

	1 Year	**5 Years**	**10 Years**	**20 Years**
Best	54.2%	28.6%	19.9%	17.8%
Worst	–43.1	–12.4	–0.8	3.1
Average	12.6	11.1	11.2	11.4

The table covers all of the 1-, 5-, 10-, and 20-year periods from 1926 through 2001. You can see, for example, that while the average return on common stocks for *all* of the 5-year periods was 11.1%, average returns for *individual* 5-year periods ranged from –12.4% (from 1928 through 1932) to 28.6% (from 1995 through 1999). These average returns reflect *past* performance on common stocks; you should not regard them as an indication of *future* returns from either the stock market as a whole or these Funds in particular.

Keep in mind that the S&P 500 Index tracks mainly large-cap stocks. Historically, mid- and small-cap stocks (such as those held by the Total Stock Market, Extended Market, Mid-Cap, Small-Cap, Small-Cap Value, and Small-Cap Growth Index Funds) have been more volatile than—and at times have performed quite differently from—the large-cap stocks of the S&P 500 Index.

Even indexes that are subsets of the S&P 500 Index—such as the S&P 500/Barra Value Index and the S&P 500/Barra Growth Index (the target indexes of the Value and Growth Index Funds)—will not perform in the same way as the broader S&P 500 Index. Historically, stocks of the S&P 500/Barra Value Index have been less volatile than the stocks found in the broader S&P 500 Index; stocks of the S&P 500/Barra Growth Index, on the other hand, have displayed somewhat greater short-term volatility than the stocks of the S&P 500 Index. However, both value and growth stocks have the potential at times to be more volatile than the broader market.

Each Fund is subject to investment style risk, which is the chance that returns from the types of stocks in which it invests will trail returns from the overall market. As a group, specific types of stocks (for instance, small-cap or value) tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years.

RISK OF NONDIVERSIFICATION

When a target index becomes less diversified, a fund that tracks that index similarly becomes less diversified. By tracking its target index, the **Growth Index Fund** has at times been technically "nondiversified" under SEC standards. This has happened when, due to the rapid appreciation of certain stocks in its target index, the Fund's top few holdings represented more than 25% of its total assets. As the market values of the Fund's largest holdings rise and fall, there may be times when the Fund is diversified under SEC standards and other times when it is not. The Fund continues to hold more than 100 stock positions in a variety of market sectors. *Shareholders in Vanguard Growth Index Fund are subject to the risk that the Fund's performance could be hurt disproportionately by a decline in the prices of just a few stocks.*

In the unlikely event that the target index of any of the other Vanguard U.S. Stock Index Funds becomes dominated by just a few companies, shareholders in that Fund would similarly be subject to the risk of nondiversification.

OTHER INVESTMENT POLICIES AND RISKS

Each Fund reserves the right to substitute a different index for the index it currently tracks. This could happen if the current index were discontinued, if the Fund's agreement with the sponsor of its target index is terminated, or for any other reason determined in good faith by the Fund's board of trustees. In any such instance, the substitute index would measure the same general market (large-, mid-, or small-cap, growth, or value) as the current index.

Each Fund may invest in foreign securities to the extent necessary to carry out its investment strategy of holding all, or a representative sample, of the stocks that make up the index it tracks. It is not expected that any Fund will invest more than 5% of its assets in foreign securities.

Although index funds, by their nature, tend to be tax-efficient investment vehicles, the Funds are generally managed without regard to tax ramifications.

Each Fund may invest, to a limited extent, in derivatives. Derivatives may involve risks different from, and possibly greater than, those of traditional investments.

To track their target indexes as closely as possible, the Funds attempt to remain fully invested in stocks. To help stay fully invested, and to reduce transaction costs, the Funds may invest, to a limited extent, in stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Losses (or gains) involving futures can sometimes be substantial—in part because a relatively small price movement in a futures contract may result in an immediate and substantial loss (or gain) for a fund. Similar risks exist for warrants (securities that permit their owners to purchase a specific number of stock shares at a predetermined price), convertible securities (securities that may be exchanged for another asset), and swap agreements (contracts between parties in which each agrees to make payments to the other based on the return of a specified index or asset).

The Funds will not use derivatives for speculative purposes or as leveraged investments that magnify gains or losses. In addition, each Fund's obligation to purchase securities under futures contracts will not exceed 20% of its total assets.

The reasons for which a Fund will invest in futures and options are:

- To keep cash on hand to meet shareholder redemptions or other needs while simulating full investment in stocks.
- To reduce the Fund's transaction costs or add value when these instruments are favorably priced.

PLAIN TALK ABOUT

Derivatives

A derivative is a financial contract whose value is based on (or "derived" from) a traditional security (such as a stock or a bond), an asset (such as a commodity like gold), or a market index (such as the S&P 500 Index). Some forms of derivatives, such as exchange-traded futures and options on securities, commodities, or indexes, have been trading on regulated exchanges for more than two decades. These types of derivatives are standardized contracts that can easily be bought and sold, and whose market values are determined and published daily. Nonstandardized derivatives (such as swap agreements), on the other hand, tend to be more specialized or complex, and may be harder to value. If used for speculation or as leveraged investments, derivatives can carry considerable risks.

COSTS AND MARKET-TIMING

Some investors try to profit from a strategy called market-timing—switching money into mutual funds when they expect prices to rise and taking money out when they expect prices to fall. As money is shifted in and out, a fund incurs expenses for buying and selling securities. These costs are borne by *all* fund shareholders, including the long-term investors who do not generate the costs. This is why all Vanguard funds have adopted special policies to discourage short-term trading or to compensate the funds for the costs associated with it. Specifically:

- Each Vanguard fund reserves the right to reject any purchase request—including exchanges from other Vanguard funds—that it regards as disruptive to efficient portfolio management. A purchase request could be rejected because of the timing of the investment or because of a history of excessive trading by the investor.
- Each Vanguard fund (except the money market funds) limits the number of times that an investor can exchange into and out of the fund.
- Each Vanguard fund reserves the right to stop offering shares at any time.
- Certain Vanguard funds charge purchase and/or redemption fees on transactions.

See the **Investing with Vanguard** section of this prospectus for further details on Vanguard's transaction policies.

The Vanguard funds do not permit market-timing. Do not invest with Vanguard if you are a market-timer.

PLAIN TALK ABOUT

Costs of Investing

Costs are an important consideration in choosing a mutual fund. That's because you, as a shareholder, pay the costs of operating a fund, plus any transaction costs associated with the fund's buying and selling of securities. These costs can erode a substantial portion of the gross income or capital appreciation a fund achieves. Even seemingly small differences in expenses can, over time, have a dramatic effect on a fund's performance.

TURNOVER RATE

Although the Funds normally seek to invest for the long term, each Fund may sell securities regardless of how long they have been held. Generally, an index fund sells securities only to respond to redemption requests or to adjust the number of shares held to reflect a change in the fund's target index. Turnover rates for large-cap stock index funds tend to be very low because large-cap indexes—such as the S&P 500 Index—typically do not change much from year to year. Turnover rates for mid-cap and small-cap stock index funds tend to be higher (although still relatively low, compared with actively managed stock funds) because the indexes they track are the most likely to change as a result of companies merging, growing, or failing. The **Financial Highlights** section of this prospectus shows historical turnover rates for the Funds. A turnover rate of 100%, for example, would mean that a Fund had sold and replaced securities valued at 100% of its net assets within a one-year period.

PLAIN TALK ABOUT

Turnover Rate

Before investing in a mutual fund, you should review its turnover rate. This gives an indication of how transaction costs could affect the fund's future returns. In general, the greater the volume of buying and selling by the fund, the greater the impact that brokerage commissions and other transaction costs will have on its return. Also, funds with high turnover rates may be more likely to generate capital gains that must be distributed to shareholders as taxable income. As of December 31, 2001, the average turnover rate for passively managed domestic equity index funds investing in common stocks was approximately 60%; for all domestic stock funds, the average turnover rate was approximately 110%, according to Morningstar, Inc.

The Funds and Vanguard

Each Fund (except the Institutional Index Fund and Institutional Total Stock Market Index Fund) is a member of The Vanguard Group, a family of more than 35 investment companies with more than 100 funds holding assets worth in excess of $550 billion. All funds that are members of The Vanguard Group share in the expenses associated with business operations, such as personnel, office space, equipment, and advertising.

Vanguard also provides marketing services to its member funds. Although shareholders do not pay sales commissions or 12b-1 distribution fees, each member fund pays its allocated share of The Vanguard Group's marketing costs.

Vanguard Institutional Index Fund and Institutional Total Stock Market Index Fund are not members of The Vanguard Group, but are administered by Vanguard and pay Vanguard a fee to provide management, advisory, marketing, and other services.

PLAIN TALK ABOUT

Vanguard's Unique Corporate Structure

The Vanguard Group is truly a ***mutual*** mutual fund company. It is owned jointly by the funds it oversees and thus indirectly by the shareholders in those funds. Most other mutual funds are operated by for-profit management companies that may be owned by one person, by a group of individuals, or by investors who own the management company's stock. By contrast, Vanguard provides its services on an "at-cost" basis, and the funds' expense ratios reflect only these costs. No separate management company reaps profits or absorbs losses from operating the funds.

Investment Adviser

The Vanguard Group (Vanguard), P.O. Box 2600, Valley Forge, PA 19482, founded in 1975, serves as the Funds' adviser through its Quantitative Equity Group. As of December 31, 2001, Vanguard served as adviser for about $408 billion in assets.

Vanguard pays for all of the Institutional Index Fund's and Institutional Total Stock Market Index Fund's expenses (except taxes and brokerage commissions). In turn, each Fund pays Vanguard a monthly fee based on the following rates:

Fund	Percentage of Daily Net Assets
Institutional Index Fund Institutional Shares	0.05%
Institutional Index Fund Institutional Plus Shares	0.025
Institutional Total Stock Market Index Fund Institutional Shares	0.06
Institutional Total Stock Market Index Fund Institutional Plus Shares	0.025

Vanguard manages the other Funds on an at-cost basis, subject to the supervision and oversight of the trustees and officers of the Funds.

For the fiscal year ended December 31, 2001, the advisory expenses of the U.S. Stock Index Funds represented an effective annual rate of less than 0.005% (less than 0.02% for Small-Cap Value and Small-Cap Growth Index Funds) of each Fund's average net assets.

The adviser is authorized to choose broker-dealers to handle the purchase and sale of the Funds' portfolio securities and to obtain the best available price and most favorable execution for all transactions. Also, the board of trustees may direct the adviser to use a particular broker for certain transactions in exchange for commission rebates or research services provided to the Funds.

In the interest of obtaining better execution of a transaction, the adviser may at times choose brokers who charge higher commissions. If more than one broker can obtain the best available price and most favorable execution, then the adviser is authorized to choose a broker who, in addition to executing the transaction, will provide research services to the adviser or the Funds.

PLAIN TALK ABOUT
The Funds' Adviser

The manager primarily responsible for overseeing the Funds' investments is:

George U. Sauter, Managing Director of Vanguard and head of Vanguard's Quantitative Equity Group. He has worked in investment management since 1985 and has had primary responsibility for Vanguard's stock indexing and active quantitative investments and strategy since joining the company in 1987. Education: A.B., Dartmouth College; M.B.A., University of Chicago.

Dividends, Capital Gains, and Taxes

FUND DISTRIBUTIONS

Each Fund distributes to shareholders virtually all of its net income (interest and dividends, less expenses), as well as any capital gains realized from the sale of its holdings. Income dividends for the Institutional, Institutional Total Stock Market, Total Stock Market, Value, and Growth Index Funds generally are distributed in March, June, September, and December; income dividends for the Extended Market, Mid-Cap, Small-Cap, Small-Cap Value, and Small-Cap Growth Index Funds generally are distributed in December. Capital gains distributions generally occur in December. In addition, the Funds may occasionally be required to make supplemental dividend or capital gains ditributions at some other time during the year. You can receive distributions of income or capital gains in cash, or you can have them automatically reinvested in more shares of the Fund.

PLAIN TALK ABOUT
Distributions

As a shareholder, you are entitled to your portion of a fund's income from interest and dividends as well as gains from the sale of investments. You receive such earnings as either an *income* or a *capital gains distribution*. *Income* consists of both the dividends that the fund earns from any stock holdings and the interest it receives from any money market and bond investments. *Capital gains* are realized whenever the fund sells securities for higher prices than it paid for them. These capital gains are either short-term or long-term, depending on whether the fund held the securities for one year or less or for more than one year.

BASIC TAX POINTS

Vanguard will send you a statement each year showing the tax status of all your distributions. In addition, taxable investors should be aware of the following basic tax points:

- Distributions are taxable to you for federal income tax purposes whether or not you reinvest these amounts in additional Fund shares.
- Distributions declared in December—if paid to you by the end of January—are taxable for federal income tax purposes as if received in December.
- Any dividend and short-term capital gains distributions that you receive are taxable to you as ordinary income for federal income tax purposes.
- Any distributions of net long-term capital gains are taxable to you as long-term capital gains for federal income tax purposes, no matter how long you've owned shares in the Fund.

- Capital gains distributions may vary considerably from year to year as a result of the Funds' normal investment activities and cash flows.
- A sale or exchange of Fund shares is a taxable event. This means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return.
- Dividend and capital gains distributions that you receive, as well as your gains or losses from any sale or exchange of Fund shares, may be subject to state and local income taxes.
- Any conversion between classes of shares of the *same* fund is a nontaxable event. By contrast, an exchange between classes of shares of *different* funds *is* a taxable event.

PLAIN TALK ABOUT

"Buying a Dividend"

Unless you are investing through a tax-deferred retirement account (such as an IRA), you should consider avoiding a purchase of fund shares shortly before the fund makes a distribution, because doing so can cost you money in taxes. This is known as "buying a dividend." For example: On December 15, you invest $5,000, buying 250 shares for $20 each. If the fund pays a distribution of $1 per share on December 16, its share price will drop to $19 (not counting market change). You still have only $5,000 (250 shares x $19 = $4,750 in share value, plus 250 shares x $1 = $250 in distributions), but you *owe tax* on the $250 distribution you received—even if you reinvest it in more shares. To avoid "buying a dividend," check a fund's distribution schedule before you invest.

GENERAL INFORMATION

Backup withholding. By law, Vanguard must withhold 30% of any taxable distributions or redemptions from your account if you do not:

- Provide us with your correct taxpayer identification number;
- Certify that the taxpayer identification number is correct; and
- Confirm that you are not subject to backup withholding.

Similarly, Vanguard must withhold taxes from your account if the IRS instructs us to do so.

Foreign investors. Vanguard funds generally are not sold outside the United States, except to certain qualifying investors. If you reside outside the United States, please consult our website at *www.vanguard.com* and review "Non-U.S. Investors." Foreign investors should be aware that U.S. withholding and estate taxes may apply to any investments in Vanguard funds.

Invalid addresses. If a dividend or capital gains distribution check mailed to your address of record is returned as undeliverable, Vanguard will automatically reinvest all future distributions until you provide us with a valid mailing address.

Tax consequences. This prospectus provides general tax information only. If you are investing through a tax-deferred retirement account, such as an IRA, special tax rules apply. Please consult your tax adviser for detailed information about a fund's tax consequences for you.

Share Price

Each Fund's share price, called its *net asset value*, or NAV, is calculated each business day after the close of regular trading on the New York Stock Exchange, generally 4 p.m., Eastern time. Net asset value per share is computed by dividing the net assets attributed to each share class by the number of Fund shares outstanding for that class. On holidays or other days when the Exchange is closed, the NAV is not calculated, and the Fund does not transact purchase or redemption requests. However, on those days the value of a Fund's assets may be affected to the extent that the Fund holds foreign securities that trade on foreign markets that are open.

Stocks held by a Vanguard fund are valued at their *market value* when reliable market quotations are readily available. Certain short-term debt instruments used to manage a fund's cash are valued on the basis of amortized cost. The values of any foreign securities held by a fund are converted into U.S. dollars using an exchange rate obtained from an independent third party.

When reliable market quotations are not readily available, securities are priced at their *fair value*, calculated according to procedures adopted by the board of trustees. A fund also may use fair-value pricing if the value of a security it holds is materially affected by events occurring after the close of the primary markets or exchanges on which the security is traded. This most commonly occurs with foreign securities, but may occur in other cases as well. When fair-value pricing is employed, the prices of securities used by a fund to calculate its net asset value may differ from quoted or published prices for the same securities.

Vanguard fund share prices can be found daily in the mutual fund listings of most major newspapers under various "Vanguard" headings.

Financial Highlights

The following financial highlights tables are intended to help you understand each Fund's financial performance for the periods shown, and certain information reflects financial results for a single Fund share. The total returns in each table represent the rate that an investor would have earned or lost each period on an investment in the Fund (assuming reinvestment of all dividend and capital gains distributions). The information has been derived from the financial statements audited by PricewaterhouseCoopers LLP, independent accountants, whose report—along with each Fund's financial statements—is included in the Funds' most recent annual reports to shareholders. You may have these annual reports sent to you without charge by contacting Vanguard.

PLAIN TALK ABOUT

How to Read the Financial Highlights Table

This explanation uses the Institutional Index Fund's Institutional Shares as an example. The Institutional Shares began fiscal year 2001 with a net asset value (price) of $120.72 per share. During the year, each Institutional Share earned $1.374 from investment income (interest and dividends). There was a decline of $15.829 per share in the value of investments held or sold by the Fund, resulting in a net decline of $14.455 per share from investment operations.

Shareholders received $1.375 per share in the form of dividend distributions. A portion of each year's distributions may come from the prior year's income or capital gains.

The share price at the end of the year was $104.89, reflecting losses of $14.455 per share and distributions of $1.375 per share. This was a decrease of $15.83 per share (from $120.72 at the beginning of the year to $104.89 at the end of the year). For a shareholder who reinvested the distributions in the purchase of more shares, the total return was –11.93% for the year.

As of December 31, 2001, the Institutional Shares had $24.2 billion in net assets. For the year, the expense ratio was 0.05% ($0.50 per $1,000 of net assets), and the net investment income amounted to 1.27% of average net assets. The Fund sold and replaced securities valued at 8% of its net assets.

	Vanguard Institutional Index Fund Institutional Shares Year Ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
Net Asset Value, Beginning of Period	**$120.72**	**$134.02**	**$112.85**	**$ 89.56**	**$68.86**
Investment Operations					
Net Investment Income	1.374	1.403	1.501	1.429	1.391
Net Realized and Unrealized Gain (Loss) on Investments	(15.829)	(13.303)	22.143	24.177	21.415
Total from Investment Operations	(14.455)	(11.900)	23.644	25.606	22.806
Distributions					
Dividends from Net Investment Income	(1.375)	(1.400)	(1.514)	(1.416)	(1.391)
Distributions from Realized Capital Gains	—	—	(.960)	(.900)	(.715)
Total Distributions	(1.375)	(1.400)	(2.474)	(2.316)	(2.106)
Net Asset Value, End of Period	**$104.89**	**$120.72**	**$134.02**	**$112.85**	**$89.56**
Total Return	**–11.93%**	**–8.95%**	**21.17%**	**28.79%**	**33.36%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$24,165	$26,406	$28,918	$22,338	$15,348
Ratio of Total Expenses to Average Net Assets	0.05%	0.06%	0.06%	0.06%	0.06%
Ratio of Net Investment Income to Average Net Assets	1.27%	1.10%	1.25%	1.46%	1.77%
Turnover Rate*	8%	11%	14%	11%	7%

*Turnover rates excluding in-kind redemptions were 5%, 7%, 3%, 7%, and 6%, respectively.

	Vanguard Institutional Index Fund Institutional Plus Shares				
	Year Ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997***
Net Asset Value, Beginning of Period	**$120.72**	**$134.02**	**$112.85**	**$ 89.56**	**$84.91**
Investment Operations					
Net Investment Income	1.405	1.449	1.542	1.464	.681
Net Realized and Unrealized Gain (Loss) on Investments	(15.829)	(13.302)	22.143	24.177	5.455
Total from Investment Operations	(14.424)	(11.853)	23.685	25.641	6.136
Distributions					
Dividends from Net Investment Income	(1.406)	(1.447)	(1.555)	(1.451)	(.866)
Distributions from Realized Capital Gains	—	—	(.960)	(.900)	(.620)
Total Distributions	(1.406)	(1.447)	(2.515)	(2.351)	(1.486)
Net Asset Value, End of Period	**$104.89**	**$120.72**	**$134.02**	**$112.85**	**$89.56**
Total Return	**–11.90%**	**–8.92%**	**21.21%**	**28.83%**	**7.29%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$11,349	$10,765	$6,861	$4,951	$3,488
Ratio of Total Expenses to Average Net Assets	0.025%	0.025%	0.025%	0.025%	0.025%**
Ratio of Net Investment Income to Average Net Assets	1.31%	1.14%	1.29%	1.49%	1.72%**
Turnover Rate†	8%	11%	14%	11%	7%

*July 7 (inception) through December 31, 1997.
**Annualized.
†Turnover rates excluding in-kind redemptions were 5%, 7%, 3%, 7%, and 6%, respectively.

	Vanguard Institutional Total Stock Market Index Fund Institutional Shares
	Aug. 31* to Dec. 31, 2001
Net Asset Value, Beginning of Period	**$22.72**
Investment Operations	
Net Investment Income	.098
Net Realized and Unrealized Gain (Loss) on Investments	.421
Total from Investment Operations	.519
Distributions	
Dividends from Net Investment Income	(.139)
Distributions from Realized Capital Gains	—
Total Distributions	(.139)
Net Asset Value, End of Period	**$23.10**
Total Return	**2.33%**
Ratios/Supplemental Data	
Net Assets, End of Period (Millions)	$358
Ratio of Total Expenses to Average Net Assets	0.06%**
Ratio of Net Investment Income to Average Net Assets	1.33%**
Turnover Rate	15%

*Inception.
**Annualized.

	Vanguard Institutional Total Stock Market Index Fund Institutional Plus Shares
	May 31* to Dec. 31, 2001
Net Asset Value, Beginning of Period	**$25.00**
Investment Operations	
Net Investment Income	.151
Net Realized and Unrealized Gain (Loss) on Investments	(1.900)
Total from Investment Operations	(1.749)
Distributions	
Dividends from Net Investment Income	(.151)
Distributions from Realized Capital Gains	—
Total Distributions	(.151)
Net Asset Value, End of Period	**$23.10**
Total Return	**–6.96%**
Ratios/Supplemental Data	
Net Assets, End of Period (Millions)	$1,189
Ratio of Total Expenses to Average Net Assets	0.025%**
Ratio of Net Investment Income to Average Net Assets	1.36%**
Turnover Rate	15%

*Inception.
**Annualized.

	Vanguard Total Stock Market Index Fund Institutional Shares				
	Year Ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997***
Net Asset Value, Beginning of Period	**$29.27**	**$33.22**	**$27.42**	**$22.64**	**$21.27**
Investment Operations					
Net Investment Income	.341	.371	.344	.359	.172
Net Realized and Unrealized Gain (Loss) on Investments	(3.533)	(3.815)	6.133	4.898	1.642
Total from Investment Operations	(3.192)	(3.444)	6.477	5.257	1.814
Distributions					
Dividends from Net Investment Income	(.328)	(.366)	(.357)	(.352)	(.214)
Distributions from Realized Capital Gains	—	(.140)	(.320)	(.125)	(.230)
Total Distributions	(.328)	(.506)	(.677)	(.477)	(.444)
Net Asset Value, End of Period	**$25.75**	**$29.27**	**$33.22**	**$27.42**	**$22.64**
Total Return	**–10.85%**	**–10.46%**	**23.93%**	**23.37%**	**8.60%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$4,217	$4,272	$4,006	$2,445	$1,504
Ratio of Total Expenses to Average Net Assets	0.08%	0.10%	0.10%	0.10%	0.10%**
Ratio of Net Investment Income to Average Net Assets	1.23%	1.14%	1.26%	1.53%	1.70%**
Turnover Rate	7%†	7%	3%	3%	2%

*July 7 (inception) through December 31, 1997.
**Annualized.
†The turnover rate excluding in-kind redemptions was 3%.

	Vanguard Extended Market Index Fund Institutional Shares				
	Year Ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997***
Net Asset Value, Beginning of Period	**$26.62**	**$37.09**	**$30.63**	**$30.76**	**$29.28**
Investment Operations					
Net Investment Income	.228	.313	.363	.427	.200
Net Realized and Unrealized Gain (Loss) on Investments	(2.703)	(6.041)	10.101	2.025	3.191
Total from Investment Operations	(2.475)	(5.728)	10.464	2.452	3.391
Distributions					
Dividends from Net Investment Income	(.245)	(.312)	(.364)	(.412)	(.371)
Distributions from Realized Capital Gains	(.810)	(4.430)	(3.640)	(2.170)	(1.540)
Total Distributions	(1.055)	(4.742)	(4.004)	(2.582)	(1.911)
Net Asset Value, End of Period	**$23.09**	**$26.62**	**$37.09**	**$30.63**	**$30.76**
Total Return**	**–9.03%**	**–15.41%**	**36.45%**	**8.45%**	**11.82%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$746	$954	$870	$456	$415
Ratio of Total Expenses to Average Net Assets	0.10%	0.10%	0.10%	0.10%	0.10%†
Ratio of Net Investment Income to Average Net Assets	1.02%	0.96%	1.18%	1.34%	1.43%†
Turnover Rate	20%	33%	26%	27%	15%

*July 7 (inception) through December 31, 1997.
**Total return figures do not reflect the purchase fee imposed prior to April 1, 2000.
†Annualized.

	Vanguard Mid-Cap Index Fund Institutional Shares			
	Year Ended December 31,			
	2001	**2000**	**1999**	**1998***
Net Asset Value, Beginning of Period	**$12.23**	**$11.30**	**$10.79**	**$10.03**
Investment Operations				
Net Investment Income	.097	.081	.083	.055
Net Realized and Unrealized Gain (Loss) on Investments	(.166)	1.918	1.448	.814
Total from Investment Operations	(.069)	1.999	1.531	.869
Distributions				
Dividends from Net Investment Income	(.086)	(.089)	(.086)	(.059)
Distributions from Realized Capital Gains	(.245)	(.980)	(.935)	(.050)
Total Distributions	(.331)	(1.069)	(1.021)	(.109)
Net Asset Value, End of Period	**$11.83**	**$12.23**	**$11.30**	**$10.79**
Total Return**	**–0.37%**	**18.39%**	**15.41%**	**8.61%**
Ratios/Supplemental Data				
Net Assets, End of Period (Millions)	$650	$307	$143	$39
Ratio of Total Expenses to Average Net Assets	0.10%	0.12%	0.12%	0.12%†
Ratio of Net Investment Income to Average Net Assets	1.00%	1.03%	1.11%	1.30%†
Turnover Rate	24%	51%	38%	44%

*Initial share purchase date was May 20, 1998. Subscription period for the Fund was April 20, 1998, to May 20, 1998, during which time all assets were held in money market instruments. Performance measurement began May 21, 1998.
**Total return figures do not reflect the purchase fee imposed prior to March 1, 1999.
†Annualized.

	Vanguard Small-Cap Index Fund Institutional Shares Year Ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997***
Net Asset Value, Beginning of Period	**$19.44**	**$23.61**	**$21.20**	**$23.75**	**$22.56**
Investment Operations					
Net Investment Income	.251	.292	.295	.336	.158
Net Realized and Unrealized Gain (Loss) on Investments	.388	(1.145)	4.491	(1.007)	2.370
Total from Investment Operations	.639	(.853)	4.786	(.671)	2.528
Distributions					
Dividends from Net Investment Income	(.259)	(.292)	(.296)	(.329)	(.288)
Distributions from Realized Capital Gains	—	(3.025)	(2.080)	(1.550)	(1.050)
Total Distributions	(.259)	(3.317)	(2.376)	(1.879)	(1.338)
Net Asset Value, End of Period	**$19.82**	**$19.44**	**$23.61**	**$21.20**	**$23.75**
Total Return**	**3.27%**	**–2.56%**	**23.33%**	**–2.50%**	**11.42%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$584	$490	$415	$264	$137
Ratio of Total Expenses to Average Net Assets	0.10%	0.13%	0.12%	0.12%	0.12%†
Ratio of Net Investment Income to Average Net Assets	1.34%	1.32%	1.37%	1.53%	1.52%†
Turnover Rate	39%	49%	42%	35%	29%

*July 7 (inception) through December 31, 1997.
**Total return figures do not reflect the purchase fee imposed prior to April 1, 2000.
†Annualized.

	Vanguard Value Index Fund Institutional Shares Year Ended December 31,			
	2001	**2000**	**1999**	**1998***
Net Asset Value, Beginning of Period	**$22.87**	**$22.89**	**$22.51**	**$23.22**
Investment Operations				
Net Investment Income	.333	.377	.377	.196
Net Realized and Unrealized Gain (Loss) on Investments	(2.986)	.963	2.342	(.060)
Total from Investment Operations	(2.653)	1.340	2.719	.136
Distributions				
Dividends from Net Investment Income	(.340)	(.380)	(.384)	(.236)
Distributions from Realized Capital Gains	(.977)	(.980)	(1.955)	(.610)
Total Distributions	(1.317)	(1.360)	(2.339)	(.846)
Net Asset Value, End of Period	**$18.90**	**$22.87**	**$22.89**	**$22.51**
Total Return	**–11.77%**	**6.19%**	**12.67%**	**0.69%**
Ratios/Supplemental Data				
Net Assets, End of Period (Millions)	$865	$1,082	$460	$186
Ratio of Total Expenses to Average Net Assets	0.10%	0.12%	0.12%	0.12%**
Ratio of Net Investment Income to Average Net Assets	1.63%	1.70%	1.68%	1.90%**
Turnover Rate	38%	37%	41%	33%

*July 2 (inception) through December 31, 1998.
**Annualized.

Vanguard Small-Cap Value Index Fund Institutional Shares			
	Year Ended December 31,		
	2001	2000	1999*
Net Asset Value, Beginning of Period	**$ 9.65**	**$8.45**	**$8.74**
Investment Operations			
Net Investment Income	.089	.097	.009
Net Realized and Unrealized Gain (Loss) on Investments	1.176	1.698	.226
Total from Investment Operations	1.265	1.795	.235
Distributions			
Dividends from Net Investment Income	(.080)	(.095)	(.070)
Distributions from Realized Capital Gains	(.545)	(.500)	(.455)
Total Distributions	(.625)	(.595)	(.525)
Net Asset Value, End of Period	**$10.29**	**$9.65**	**$8.45**
Total Return**	**13.86%**	**22.04%**	**2.83%**
Ratios/Supplemental Data			
Net Assets, End of Period (Millions)	$325	$86	$10
Ratio of Total Expenses to Average Net Assets	0.10%	0.13%	0.13%†
Ratio of Net Investment Income to Average Net Assets	1.14%	1.36%	1.37%†
Turnover Rate	59%	82%	80%

*December 7 (inception) through December 31, 1999.
**Total return figures do not reflect the purchase fee imposed prior to April 1, 2002.
†Annualized.

Vanguard Growth Index Fund Institutional Shares				
	Year Ended December 31,			
	2001	2000	1999	1998*
Net Asset Value, Beginning of Period	**$30.57**	**$39.44**	**$31.67**	**$26.49**
Investment Operations				
Net Investment Income	.213	.156	.249	.167
Net Realized and Unrealized Gain (Loss) on Investments	(4.144)	(8.861)	8.821	5.315
Total from Investment Operations	(3.931)	(8.705)	9.070	5.482
Distributions				
Dividends from Net Investment Income	(.219)	(.165)	(.260)	(.187)
Distributions from Realized Capital Gains	—	—	(1.040)	(.115)
Total Distributions	(.219)	(.165)	(1.300)	(.302)
Net Asset Value, End of Period	**$26.42**	**$30.57**	**$39.44**	**$31.67**
Total Return	**–12.82%**	**–22.14%**	**28.91%**	**20.79%**
Ratios/Supplemental Data				
Net Assets, End of Period (Millions)	$921	$948	$452	$224
Ratio of Total Expenses to Average Net Assets	0.10%	0.12%	0.12%	0.12%**
Ratio of Net Investment Income to Average Net Assets	0.80%	0.44%	0.74%	0.97%**
Turnover Rate	31%	33%	33%	29%

*May 14 (inception) through December 31, 1998.
**Annualized.

	Vanguard Small-Cap Growth Index Fund Institutional Shares	
	Year Ended December 31,	
	2001	2000*
Net Asset Value, Beginning of Period	**$10.97**	**$11.03**
Investment Operations		
Net Investment Income	.024	.009
Net Realized and Unrealized Gain (Loss) on Investments	(.094)	.513
Total from Investment Operations	(.070)	.522
Distributions		
Dividends from Net Investment Income	(.030)	(.012)
Distributions from Realized Capital Gains	—	(.570)
Total Distributions	(.030)	(.582)
Net Asset Value, End of Period	**$10.87**	**$10.97**
Total Return**	**–0.64%**	**4.90%**
Ratios/Supplemental Data		
Net Assets, End of Period (Millions)	$109	$73
Ratio of Total Expenses to Average Net Assets	0.10%	0.13%†
Ratio of Net Investment Income to Average Net Assets	0.28%	0.11%†
Turnover Rate	74%	136%

*March 24 (inception) through December 31, 2000.
**Total return figures do not reflect the purchase fee imposed prior to April 1, 2002.
†Annualized.

Investing with Vanguard

This section of the prospectus explains the basics of doing business with Vanguard. A special booklet, *The Vanguard Service Directory*, provides details of our many shareholder services for individual investors. A separate booklet, *The Compass*, does the same for institutional investors. You can request either booklet by calling or writing Vanguard, using the *Contacting Vanguard* instructions at the end of this section.

Buying Shares

Account Minimums

To open and maintain an account: $10 million, ($200 million for Institutional Plus Shares), or $200 million for Institutional Total Stock Market Index Fund Institutional Shares ($500 million for Institutional Plus Shares).

Vanguard Institutional clients may meet the minimum investment amount by aggregating up to three separate accounts within the same fund. This exception does not apply to clients receiving special administrative services from Vanguard, nor does this exception apply to omnibus accounts maintained by financial intermediaries.

To add to an existing account: $100 by mail or exchange; $1,000 by wire.

Vanguards reserves the right to increase or decrease the minimum amount required to open an existing account, without prior notice.

How to Buy Shares

By Check: Mail your check and a completed account registration form to Vanguard. When adding to an existing account, send your check with an Invest-By-Mail form detached from your last account statement. Make your check payable to: *The Vanguard Group—Fund number*. For Fund numbers and addresses, see *Contacting Vanguard*.

By Exchange Purchase: You can purchase shares with the proceeds of a redemption from another Vanguard fund. See *Exchanging Shares* and *Other Rules You Should Know*.

By Wire: Call Vanguard to purchase shares by wire. See *Contacting Vanguard*.

Your Purchase Price

You buy shares at a fund's next-determined NAV after Vanguard receives your purchase request. As long as your request is received before the close of regular trading on the

New York Stock Exchange (generally 4 p.m., Eastern time), you will buy your shares at that day's NAV. This is known as your **trade date**.

Purchase Rules You Should Know

✓**Third-party checks.** To protect the funds from check fraud, Vanguard will not accept checks made payable to third parties.
✓**U.S. checks only.** All purchase checks must be written in U.S. dollars and drawn on a U.S. bank.
✓**Large purchases.** Vanguard reserves the right to reject any purchase request that may disrupt a fund's operation or performance. Please call us *before* attempting to invest a large dollar amount.
✓**No cancellations.** Place your transaction requests carefully. Vanguard will **not** cancel any transaction once it has been initiated and a confirmation number has been assigned (if applicable).
✓**Future purchases.** All Vanguard funds reserve the right to stop selling shares at any time, or to reject specific purchase requests, including purchases by exchange from another Vanguard fund, at any time, for any reason.

Redeeming Shares

How to Redeem Shares

Be sure to check *Other Rules You Should Know* before initiating your request.
Online: Request a redemption through our website at *www.vanguard.com*.
By Telephone: Contact Vanguard by telephone to request a redemption. For telephone numbers, see *Contacting Vanguard*.
By Mail: Send your written redemption instructions to Vanguard. For addresses, see *Contacting Vanguard*.

Your Redemption Price

You redeem shares at a fund's next-determined NAV after Vanguard receives your redemption request, *including any special documentation required under the circumstances*. As long as your request is received before the close of regular trading on the New York Stock Exchange (generally 4 p.m., Eastern time), your shares are redeemed at that day's NAV. This is known as your **trade date**.

Types of Redemptions

✓**Check redemptions:** Unless instructed otherwise, Vanguard will mail you a check, normally within two business days of your trade date.
✓**Exchange redemptions:** You may instruct Vanguard to apply the proceeds of your redemption to purchase shares of another Vanguard fund. See *Exchanging Shares* and *Other RulesYou Should Know*.

✓**Wire redemptions:** When redeeming from a money market fund or a bond fund, you may instruct Vanguard to wire your redemption proceeds to a previously designated bank account. Wire redemptions are not available for Vanguard's other funds. The wire redemption option is *not automatic*; you must establish it by completing a special form or the appropriate section of your account registration. Also, wire redemptions must be requested in writing or by telephone, *not* online. For these funds, a $5 fee applies to wire redemptions under $5,000.

Money Market Funds: For telephone requests received at Vanguard by 10:45 a.m. (2 p.m. for Vanguard Prime Money Market Fund), Eastern time, the redemption proceeds will arrive at your bank by the close of business that same day. For other requests received before 4 p.m., Eastern time, the redemption proceeds will arrive at your bank by the close of business on the following business day.

Bond Funds: For requests received at Vanguard by 4 p.m., Eastern time, the redemption proceeds will arrive at your bank by the close of business on the following business day.

Redemption Rules You Should Know

✓**Special accounts.** Special documentation may be required to redeem from certain types of accounts, such as trust, corporate, nonprofit, or retirement accounts. Please call us *before* attempting to redeem from these types of accounts.

✓**Potentially disruptive redemptions.** Vanguard reserves the right to pay all or part of your redemption in-kind—that is, in the form of securities—if we believe that a cash redemption would disrupt the fund's operation or performance. Under these circumstances, Vanguard also reserves the right to delay payment of your redemption proceeds for up to seven days. By calling us *before* you attempt to redeem a large dollar amount, you are more likely to avoid in-kind or delayed payment of your redemption.

✓**Recently purchased shares.** While you can redeem shares at any time, proceeds will not be made available to you until the Fund collects payment for your purchase. This may take up to ten calendar days for shares purchased by check or Vanguard Fund Express®.

✓**Payment to a different person or address.** We can make your redemption check payable to a different person or send it to a different address. However, this requires the written consent of all registered account owners, which must be provided under signature guarantees. You can obtain a signature guarantee from most commercial and savings banks, credit unions, trust companies, or member firms of a U.S. stock exchange.

✓**No cancellations.** Place your transaction requests carefully. Vanguard will **not** cancel any transaction once it has been initiated and a confirmation number has been assigned (if applicable).

✓**Emergency circumstances.** Vanguard funds can postpone payment of redemption proceeds for up to seven calendar days at any time. In addition, Vanguard funds can suspend redemptions and/or postpone payments of redemption proceeds at times when the New York Stock Exchange is closed or during emergency circumstances, as determined by the U.S. Securities and Exchange Commission.

Exchanging Shares

All open Vanguard funds accept exchange requests online (through your account registered with *Vanguard.com*), by telephone, or by mail. However, because excessive exchanges can disrupt management of a fund and increase the fund's costs for all shareholders, Vanguard places certain limits on the exchange privilege.

If you are exchanging into or out of the **U.S. Stock Index Funds**, **International Stock Index Funds**, **REIT Index Fund**, **Balanced Index Fund**, **Calvert Social Index Fund**, **International Growth Fund**, **International Value Fund**, and **Growth and Income Fund**, these limits generally are as follows:

- No online or telephone exchanges between 2:30 p.m. and 4 p.m., Eastern time, on business days. *Any exchange request placed during these hours will not be accepted.* On days when the New York Stock Exchange is scheduled to close early, this end-of-day restriction will be adjusted to begin 1 1/2 hours prior to the scheduled close. (For example, if the New York Stock Exchange is scheduled to close at 1 p.m., Eastern time, the cutoff for online and phone exchanges will be 11:30 a.m. Eastern time.)
- No more than two exchanges OUT of a fund may be requested online or by telephone within any 12-month period.

For **all other Vanguard funds**, the following limits generally apply:

- No more than two substantive "round trips" through a non-money-market fund during any 12-month period.
- A "round trip" is a redemption OUT of a fund (by any means) followed by a purchase back INTO the same fund (by any means).
- Round trips must be at least 30 days apart.
- "Substantive" means a dollar amount that Vanguard determines, in its sole discretion, could adversely affect management of the fund.

Please note that Vanguard reserves the right to revise or terminate the exchange privilege, limit the amount of any exchange, or reject an exchange, at any time, for any reason. *Also, in the event of a conflict between the exchange privilege limitations of two funds, the stricter policy will apply to the transaction.*

Other Rules You Should Know

Telephone Transactions

✓**Automatic.** In setting up your account, we'll automatically enable you to do business with us by regular telephone, *unless you instruct us otherwise in writing.*

✓**Tele-Account®.** To conduct account transactions through Vanguard's automated telephone service, you must first obtain a personal identification number (PIN). Call Tele-Account to obtain a PIN, and allow seven days before using this service.

✓**Proof of a caller's authority.** We reserve the right to refuse a telephone request if the caller is unable to provide the following information *exactly as registered on the account*:

- Ten-digit account number.
- Complete owner name and address.
- Primary Social Security or employer identification number.
- Personal Identification Number (PIN), if applicable.

✓**Subject to revision.** We reserve the right to revise or terminate Vanguard's telephone transaction service at any time, without notice.

✓**Some Vanguard funds do not permit telephone exchanges between 2:30 p.m. and 4 p.m., Eastern time.** To discourage market-timing, the following Vanguard funds generally do not permit telephone exchanges between 2:30 p.m. and 4 p.m., Eastern time, on business days: the U.S. Stock Index Funds, International Stock Index Funds, REIT Index Fund, Balanced Index Fund, Calvert Social Index Fund, International Growth Fund, International Value Fund, and Growth and Income Fund. Funds may be added to or deleted from this list at any time without prior notice to shareholders.

Vanguard.com™

✓**Registration.** You can use your personal computer to review your account holdings, to sell or exchange shares of most Vanguard funds, and to perform other transactions. To establish this service, you can register online.

✓**Some Vanguard funds do not permit online exchanges between 2:30 p.m. and 4 p.m., Eastern time.** To discourage market-timing, the following Vanguard funds generally do not permit online exchanges between 2:30 p.m. and 4 p.m. on business days: the U.S. Stock Index Funds, International Stock Index Funds, REIT Index Fund, Balanced Index Fund, Calvert Social Index Fund, International Growth Fund, International Value Fund, and Growth and Income Fund. Funds may be added to or deleted from this list at any time without prior notice to shareholders.

Written Instructions

✓**"Good order" required.** We reserve the right to reject any written transaction instructions that are not in "good order." This means that your instructions must include:

- The fund name and account number.
- The amount of the transaction (in dollars or shares).
- Signatures of all owners *exactly* as registered on the account.
- Signature guarantees, if required for the type of transaction.*
- Any supporting legal documentation that may be required.

*For instance, signature guarantees must be provided by all registered account shareholders when redemption proceeds are to be sent to a different person or address. Call Vanguard for specific signature-guarantee requirements.

Responsibility for Fraud

Vanguard will not be responsible for any account losses due to fraud, so long as we reasonably believe that the person transacting on an account is authorized to do so. Please take precautions to protect yourself from fraud. Keep your account information private and immediately review any account statements that we send to you. Contact Vanguard immediately about any transactions you believe to be unauthorized.

Uncashed Checks

Please cash your distribution or redemption checks promptly. Vanguard will not pay interest on uncashed checks.

Unusual Circumstances

If you experience difficulty contacting Vanguard online, by telephone, or by Tele-Account, you can send us your transaction request by regular or express mail. See *Contacting Vanguard* for addresses.

Low-Balance Accounts

Each Fund (except Vanguard Institutional Index Fund and Institutional Total Stock Market Index Fund) reserves the right to convert an investor's Institutional Shares into Investor Shares or Admiral Shares of the Fund if the investor's account balance falls below the minimum initial investment.

Vanguard Institutional Index Fund and Institutional Total Stock Market Index Fund reserve the right to convert an investor's Institutional Plus Shares into Institutional Shares of the Fund if the investor's account balance falls below the minimum initial investment. In addition, each Fund reserves the right to redeem an investor's Institutional Shares if the investor's account balance falls below the minimum initial investment for that share class. Any such conversion or redemption will be preceded by written notice to the investor.

Fund and Account Updates

Portfolio Summaries

We will send you quarterly portfolio summaries to help you keep track of your accounts throughout the year. Each summary shows the market value of your account at the close of the statement period, as well as all distributions, purchases, sales, and exchanges for the current calendar year.

Average Cost Review Statements

For most taxable accounts, average cost review statements will accompany the quarterly portfolio summaries. These statements show the average cost of shares that you redeemed during the current calendar year, using the average cost single-category method, which is one of the methods established by the IRS.

Confirmation Statements

Each time you buy, sell, or exchange shares, we will send you a statement confirming the trade date and amount of your transaction.

Tax Statements

We will send you annual tax statements to assist in preparing your income tax returns. These statements, which are generally mailed in January, will report the previous year's dividend and capital gains distributions, proceeds from the sale of shares, and distributions from IRAs or other retirement plans.

Annual and Semiannual Reports

Financial reports about Vanguard Institutional Index Fund, Vanguard Institutional Total Stock Market Index Fund, and Vanguard U.S. Stock Index Funds will be mailed twice a year, in February and August. These comprehensive reports include overviews of the financial markets and specific information concerning the Funds:

- Performance assessments with comparisons to industry benchmarks.
- Financial statements with detailed listings of the Funds' holdings.

To keep each Fund's costs as low as possible (so that you and other shareholders can keep more of the Fund's investment earnings), Vanguard attempts to eliminate duplicate mailings to the same address. When we find that two or more shareholders have the same last name and address, we send just one copy of the Fund report to that address, instead of mailing separate reports to each shareholder. If you want us to send separate reports, however, you may notify our Client Services Department.

Contacting Vanguard

Online

Vanguard.com

- Your best source of Vanguard news
- For fund, account, and service information
- For most account transactions
- For literature requests
- 24 hours per day, 7 days per week

Vanguard Tele-Account® 1-800-662-6273 (ON-BOARD)

- For automated fund and account information
- For redemptions by check, exchange (subject to certain limitations), or wire
- Toll-free, 24 hours per day, 7 days per week

Investor Information 1-800-662-7447 (SHIP)
(Text telephone at 1-800-952-3335)

- For fund and service information
- For literature requests
- Business hours only

Client Services 1-800-662-2739 (CREW)
(Text telephone at 1-800-749-7273)

- For account information
- For most account transactions
- Business hours only

Institutional Division 1-888-809-8102

- For information and services for large institutional investors
- Business hours only

Vanguard Addresses

Regular Mail (Individuals—Current Clients):
The Vanguard Group
P.O. Box 1110
Valley Forge, PA 19482-1110

Regular Mail (Institutions):
The Vanguard Group
P.O. Box 2900
Valley Forge, PA 19482-2900

Regular Mail (General Inquiries):
The Vanguard Group
P.O. Box 2600
Valley Forge, PA 19482-2600

Registered or Express Mail:
The Vanguard Group
455 Devon Park Drive
Wayne, PA 19087-1815

Fund Numbers

Please use the specific fund number when contacting us about:

Institutional Index Fund Institutional Shares—94
Institutional Index Fund Institutional Plus Shares—854
Institutional Total Stock Market Index Fund Institutional Shares—870
Institutional Total Stock Market Index Fund Institutional Plus Shares—871
Total Stock Market Index Fund Institutional Shares—855
Extended Market Index Fund Institutional Shares—856
Mid-Cap Index Fund Institutional Shares—864
Small-Cap Index Fund Institutional Shares—857
Value Index Fund Institutional Shares—867
Small-Cap Value Index Fund Institutional Shares—865
Growth Index Fund Institutional Shares—868
Small-Cap Growth Index Fund Institutional Shares—866

VIPER™ Shares

In addition to Institutional Shares, certain Vanguard funds offer a class of shares, known as VIPER Shares, that are listed for trading on the American Stock Exchange (AMEX). If you own Institutional Shares issued by one of these funds, you may convert those shares into VIPER Shares of the same fund.

Note: Vanguard reserves the right to modify or terminate the conversion privilege in the future.

Two Vanguard funds currently offer a VIPER Share class:

Fund	VIPER Shares	Ticker Symbol
Vanguard Total Stock Market Index Fund	Total Stock Market VIPERs™	VTI
Vanguard Extended Market Index Fund	Extended Market VIPERs™	VXF

Although VIPER Shares represent an investment in the same portfolio of securities as Institutional Shares of that Fund, they have different characteristics and may appeal to a different group of investors. It is important that you understand the differences before deciding whether to convert your shares to VIPER Shares.

The following material summarizes key information about VIPER Shares. A separate prospectus with more complete information about VIPER Shares is also available. Investors should review that prospectus before deciding whether to convert.

DIFFERENCES BETWEEN VIPER SHARES AND CONVENTIONAL MUTUAL FUND SHARES

Institutional Shares are "conventional" mutual fund shares; that is, they can be purchased from and redeemed with the issuing fund for cash at a net asset value (NAV) calculated once a day. VIPER Shares, by contrast, cannot be purchased from or redeemed with the issuing fund, except as noted below.

An organized market is expected to exist for VIPER Shares, unlike conventional mutual fund shares, because VIPER Shares are listed for trading on the AMEX. Investors can purchase and sell VIPER Shares on the open market through a broker. Open-market transactions will not occur at NAV, but at market prices that change throughout the day based on changes in the prices of the fund's portfolio securities and the supply of and demand for VIPER Shares. The market price of a fund's VIPER Shares will vary somewhat from the NAV of those shares. The variation between market price and NAV is expected to be small most of the time, but in times of extreme market volatility the difference may become significant.

BUYING AND SELLING VIPER SHARES

Note: VIPER Shares must be held in a brokerage account. Therefore, before acquiring VIPER Shares, you must have a brokerage account with a full-service or discount broker.

You buy and sell VIPER Shares in the same way you buy and sell any other exchange-traded security—on the open market, through a broker. In most cases, the broker will charge you a commission to execute the transaction. Unless imposed by your broker, there is no minimum dollar amount that you must invest and no minimum number of VIPER Shares that you must purchase. Because open-market transactions occur at market prices, you may pay more than NAV when you buy VIPER Shares and receive less than NAV when you sell those shares.

If you own conventional shares (Investor Shares, Admiral Shares, or Institutional Shares) of a Vanguard fund that issues VIPER Shares, you can convert those shares into VIPER

Shares of equivalent value—but you cannot convert back. See below under the heading "Conversions" for a discussion of the conversion process.

There is one other way to buy and sell VIPER Shares. Investors can purchase and redeem VIPER Shares directly from the issuing fund at NAV if they do so (i) through certain authorized broker-dealers, (ii) in large blocks of 50,000 or 100,000 VIPER Shares (depending on the fund), known as Creation Units, and (iii) in exchange for baskets of securities rather than cash. However, because Creation Units will be worth millions of dollars, and because most investors prefer to transact in cash rather than with securities, it is expected that only a limited number of institutional investors will purchase and redeem VIPER Shares this way.

RISKS

VIPER Shares issued by a fund are subject to the same risks as conventional shares of the same fund. VIPER Shares are also subject to the following risks:

- The market price of a fund's VIPER Shares will vary somewhat from the NAV of those shares. Therefore, you may pay more than NAV when buying VIPER Shares and you may receive less than NAV when selling them.
- VIPER Shares cannot be redeemed with the Fund, except in Creation Unit aggregations. Therefore, if you no longer wish to own VIPER Shares, you must sell them on the open market. Although VIPER Shares will be listed for trading on the AMEX, it is possible that an active trading market may not be maintained.
- Trading of a fund's VIPER Shares on the AMEX may be halted if AMEX officials deem such action appropriate, the shares are delisted from the AMEX, or the activation of marketwide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

FEES AND EXPENSES

When you buy and sell VIPER Shares through a brokerage firm, you will pay whatever commissions the firm charges. You also will incur the cost of the "bid-asked spread," which is the difference between the price a dealer will pay for a security and the somewhat higher price at which the dealer will sell the same security. If you convert from conventional shares to VIPER Shares, you will *not* pay a brokerage commission or a bid-asked spread. However, Vanguard charges $50 for each conversion transaction, and your broker may impose its own conversion fees as well.

For the fiscal year ended December 31, 2001, the total annual operating expenses (the expense ratio) for each type of VIPER Share were:

VIPER Shares	**Expense Ratio**
Total Stock Market VIPERs	0.15%
Extended Market VIPERs	0.20

ACCOUNT SERVICES

Because you hold VIPER Shares through a brokerage account, Vanguard will have no record of your ownership unless you hold the shares through Vanguard Brokerage Services®. Your broker will service your account. For example, the broker will provide account statements, confirmations of your purchases and sales of VIPER Shares, and year-end tax information. The broker also will be responsible for ensuring that you receive shareholder reports and other communications from the fund whose VIPER Shares you own. You will receive certain services (e.g., dividend reinvestment and average cost information) only if your broker offers those services.

CONVERSIONS

Owners of conventional shares (Investor Shares, Admiral Shares, or Institutional Shares) issued by one of the Vanguard U.S. Stock Index Funds may convert those shares into VIPER Shares of equivalent value of the same fund. *Note: Investors who own conventional shares of a Vanguard fund through a 401(k) plan or other employer-sponsored retirement or benefit plan may not convert those shares into VIPER Shares.* Vanguard imposes a fee on conversion transactions, and your broker may impose a fee of its own to process a conversion request. Vanguard reserves the right, in the future, to limit or terminate the conversion privilege or to raise the amount of the conversion fee.

To initiate a conversion of conventional shares into VIPER Shares, you must contact your broker; your broker, in turn, will contact Vanguard. For brokers that can handle fractional shares, each full and fractional conventional share will be converted into full and fractional VIPER Shares of equivalent value. For example, if you own 300.250 conventional shares, and this is equivalent in value to 90.750 VIPER Shares, you will receive 90.750 VIPER Shares.

Some brokers cannot handle fractional shares. If you intend to hold your VIPER Shares through one of these brokers, the conversion would be handled in such a way that you would receive a whole number of VIPER Shares. In the example above, for instance, you would convert full and fractional conventional shares equivalent in value to exactly 90 VIPER Shares. The remaining conventional shares would be redeemed, and you would receive the cash proceeds of that redemption. You would realize a gain or loss on the redemption (in no case more than the value of a single VIPER Share) that must be reported on your tax return. Please consult your broker to determine whether it can handle fractional VIPER Shares.

Here are some important points to keep in mind when converting conventional shares of a Vanguard fund into VIPER Shares:

- The conversion transaction is nontaxable except to the extent that conventional shares must be sold to avoid the creation of fractional VIPER Shares.
- The conversion process can take anywhere from several days to several weeks, depending on your broker. Vanguard generally will process conversion requests either on the day they are received or on the next business day, although processing may take up to three business days, depending on when the conversion request is received.
- Until the conversion process is complete, you will remain fully invested in the fund's conventional shares, and your investment will increase or decrease in value in tandem with the net asset value of those shares.
- During the conversion process, you will be able to liquidate all or part of your investment by instructing Vanguard or your broker (depending on who maintains records of your share ownership) to redeem your conventional shares. After the conversion process is complete, you would liquidate all or part of your investment by instructing your broker to sell your VIPER Shares.
- VIPER Shares, whether acquired through a conversion or purchased on the open market, cannot be converted into conventional shares of the same fund. Similarly, VIPER Shares of one fund cannot be exchanged for VIPER Shares of another fund.

Glossary of Investment Terms

Active Management
An investment approach that seeks to exceed the average returns of the financial markets. Active managers rely on research, market forecasts, and their own judgment and experience in selecting securities to buy and sell.

Capital Gains Distribution
Payment to mutual fund shareholders of gains realized on securities that a fund has sold at a profit, minus any realized losses.

Cash Investments
Cash deposits, short-term bank deposits, and money market instruments that include U.S. Treasury bills, bank certificates of deposit (CDs), repurchase agreements, commercial paper, and banker's acceptances.

Common Stock
A security representing ownership rights in a corporation. A stockholder is entitled to share in the company's profits, some of which may be paid out as dividends.

Dividend Income
Payment to shareholders of income from interest or dividends generated by a fund's investments.

Expense Ratio
The percentage of a fund's average net assets used to pay its expenses during a fiscal year. The expense ratio includes management fees, administrative fees, and any 12b-1 distribution fees.

Growth Stock Fund
A mutual fund that emphasizes stocks of companies believed to have above-average prospects for growth in revenue and earnings. Reflecting market expectations for superior growth, these stocks typically have low dividend yields and above-average prices in relation to such measures as revenue, earnings, and book value.

Index
An unmanaged group of securities whose overall performance is used as a standard to measure investment performance.

Investment Adviser
An organization that makes the day-to-day decisions regarding a fund's investments.

Net Asset Value (NAV)
The market value of a mutual fund's total assets, minus liabilities, divided by the number of shares outstanding. The value of a single share is also called its share value or share price.

Passive Management
A low-cost investment strategy in which a mutual fund attempts to match—rather than outperform—a particular stock or bond market index; also known as indexing.

Price/Earnings (P/E) Ratio
The current share price of a stock, divided by its per-share earnings (profits). A stock selling for $20, with earnings of $2 per share, has a price/earnings ratio of 10.

Principal
The amount of money you put into an investment.

Total Return
A percentage change, over a specified time period, in a mutual fund's net asset value, assuming the reinvestment of all distributions of dividends and capital gains.

Value Stock Fund
A mutual fund that emphasizes stocks of companies whose growth prospects are generally regarded as subpar by the market. Reflecting these market expectations, the prices of value stocks typically are below-average in comparison with such measures as earnings and book value, and these stocks typically pay above-average dividend yields.

Volatility
The fluctuations in value of a mutual fund or other security. The greater a fund's volatility, the wider the fluctuations in its returns.

Yield
Income (interest or dividends) earned by an investment, expressed as a percentage of the investment's price.

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For More Information
If you'd like more information about Vanguard Institutional Index Funds or Vanguard U.S. Stock Index Funds, the following documents are available free upon request:

Annual/Semiannual Reports to Shareholders
Additional information about the Funds' investments is available in the Funds' annual and semiannual reports to shareholders. (The Institutional Index Funds' reports are separate from those of the U.S. Stock Index Funds.) In the Funds' annual reports, you will find a discussion of the market conditions and investment strategies that significantly affected the Funds' performance during their last fiscal year.

Statement of Additional Information (SAI)
The SAI provides more detailed information about the Funds. (The SAI for the Institutional Index Funds is separate from that of the U.S. Stock Index Funds.)

The current annual and semiannual reports and the SAI are incorporated by reference into (and are thus legally a part of) this prospectus.

All market indexes referenced in this prospectus are the exclusive property of their respective owners.

To receive a free copy of the latest annual or semiannual reports or the SAI, or to request additional information about the Funds or other Vanguard funds, please contact us as follows:

If you are an individual investor:
The Vanguard Group
Investor Information Department
P.O. Box 2900
Valley Forge, PA 19482-2900

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If you are a current Fund shareholder and would like information about your account, account transactions, and/or account statements, please call:

Client Services Department
Telephone:
1-800-662-2739 (CREW)

Text Telephone:
1-800-749-7273

Information provided by the Securities and Exchange Commission (SEC)
You can review and copy information about the Funds (including the SAI) at the SEC's Public Reference Room in Washington, DC. To find out more about this public service, call the SEC at 1-202-942-8090. Reports and other information about the Funds are also available on the SEC's Internet site at http://www.sec.gov, or you can receive copies of this information, for a fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-0102.

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